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April 5, 2019

Charter School Board  
Ignite Achievement Academy, Inc.  
1002 W 25th St.  
Indianapolis, IN 46208


We have reviewed the audit report of Ignite Achievement Academy, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Ignite Achievement Academy, Inc., as of June 30, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 3.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Ignite Achievement Academy, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The audited Financial Statements and Supplemental Audit Report are filed in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

**IGNITE ACHIEVEMENT ACADEMY, INC.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Year Ended June 30, 2018



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Ignite Achievement Academy, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ignite Achievement Academy, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ignite Achievement Academy, Inc. as of June 30, 2018, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 3 to the financial statements, Ignite Achievement Academy, Inc. recorded in-kind contributions and offsetting expenses from Indianapolis Public Schools, a related party, totaling \$1,672,000 during the year ended June 30, 2018. These in-kind transactions represent approximately 25% of both total revenue and support and total expenses for the year ended June 30, 2018. These amounts are calculated by Indianapolis Public Schools using significant estimates and judgments and are recorded by management of Ignite Achievement Academy, Inc. as presented. Our opinion is not modified with respect to this matter.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent "D" at the beginning.

Indianapolis, Indiana  
March 14, 2019

**IGNITE ACHIEVEMENT ACADEMY, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 232,749
Grants receivable	16,077
Prepaid expenses	<u>12,365</u>

*Total current assets* 261,191

**PROPERTY AND EQUIPMENT**

Furniture and equipment	391,878
Leasehold improvements	11,107
Less: accumulated depreciation	<u>(26,576)</u>

*Property and equipment, net* 376,409

**TOTAL ASSETS** \$ 637,600

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 323,917
Refundable advances	<u>150,200</u>

*Total liabilities* 474,117

**NET ASSETS**

Unrestricted	
Undesignated	(212,926)
Invested in property and equipment	<u>376,409</u>

*Total net assets* 163,483

**TOTAL LIABILITIES AND NET ASSETS** \$ 637,600

See independent auditors' report and accompanying notes to the financial statements

**IGNITE ACHIEVEMENT ACADEMY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Year Ended June 30, 2018**

**REVENUE AND SUPPORT**

Student-based allocation funding from IPS	\$ 3,717,904
In-kind contributions from IPS	1,672,000
Grants	1,165,218
Contributions	35,299
Interest	1,859
Other	<u>6,289</u>
<i>Total revenue and support</i>	<u>6,598,569</u>

**EXPENSES**

Program services	5,985,916
Management and general	<u>659,427</u>
<i>Total expenses</i>	<u>6,645,343</u>

**CHANGE IN NET ASSETS**

(46,774)

**NET ASSETS, BEGINNING OF YEAR**

210,257

**NET ASSETS, END OF YEAR**

\$ 163,483

See independent auditors' report and accompanying notes to the financial statements

**IGNITE ACHIEVEMENT ACADEMY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
In-kind expenses:			
Occupancy	\$ 981,825	\$ 51,675	\$ 1,033,500
Student transportation	583,800	-	583,800
Security services	<u>27,350</u>	<u>27,350</u>	<u>54,700</u>
<i>Total in-kind expenses</i>	<u>1,592,975</u>	<u>79,025</u>	<u>1,672,000</u>
Direct expenses:			
Salaries and wages	2,296,925	309,590	2,606,515
Employee benefits	471,255	64,300	535,555
Staff development	200,386	-	200,386
Professional services	408,256	132,670	540,926
Student transportation	55,319	-	55,319
Repairs and maintenance	164,934	8,681	173,615
Food costs	378,613	-	378,613
Travel and meetings	6,022	13,025	19,047
Classroom and office supplies	287,589	15,136	302,725
Information technology	81,158	4,272	85,430
Depreciation	26,576	-	26,576
Equipment rental	4,151	218	4,369
Insurance	137	20,890	21,027
Other	<u>11,620</u>	<u>11,620</u>	<u>23,240</u>
<i>Total direct expenses</i>	<u>4,392,941</u>	<u>580,402</u>	<u>4,973,343</u>
<i>Total functional expenses</i>	<u>\$ 5,985,916</u>	<u>\$ 659,427</u>	<u>\$ 6,645,343</u>

See independent auditors' report and accompanying notes to the financial statements

**IGNITE ACHIEVEMENT ACADEMY, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2018**

**OPERATING ACTIVITIES**

Change in net assets	\$ (46,774)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	26,576
Changes in certain assets and liabilities:	
Grants receivable	74,676
Prepaid expenses	(12,365)
Accounts payable and accrued expenses	90,674
Refundable advances	<u>(84,083)</u>
<i>Net cash provided by operating activities</i>	48,704

**INVESTING ACTIVITIES**

Purchases of property and equipment	(233,637)
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**FINANCING ACTIVITIES**

Principal payments on note payable	<u>(250,000)</u>
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**NET CHANGE IN CASH**

(434,933)

**CASH, BEGINNING OF YEAR**

667,682

**CASH, END OF YEAR**

\$ 232,749

See independent auditors' report and accompanying notes to the financial statements

**IGNITE ACHIEVEMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Ignite Achievement Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a public charter school on July 1, 2017 under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2024 and is renewable thereafter by mutual consent. The School served approximately 560 students in grades kindergarten through six during the 2017 - 2018 school year.

In March 2017, the School entered into an Innovation Network School Management Agreement with Indianapolis Public Schools ("IPS") to operate a charter school within an IPS building. The agreement is for a term of five years, ending June 30, 2022, and renews automatically for an additional five-year term unless either party provides written notice at least 180 days prior to the expiration of the agreement. Under the agreement, IPS will pay to the School the amount the School would receive from the State of Indiana for state basic tuition support and complexity grant funding as if the School were a traditional charter school. The agreement can be terminated by either party within 30 days of written notice for material breach of the agreement, by IPS at the end of the school year for poor academic performance given written notice to the school 180 days prior, or by both parties by mutual consent effective as of a mutually agreeable date.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition – The majority of the revenue comes from IPS as part of the Innovation Network School Management Agreement. Under the agreement with IPS, the School receives an amount per student in equal portion as if the School were organized as a traditional charter school. Funding from IPS is received monthly. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognized revenue under these grants in the amount of costs and expenses at the time they are incurred.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

**IGNITE ACHIEVEMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Furniture and equipment	10 years
Leasehold improvements	15 years

Taxes on Income – Ignite Achievement Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2018, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Since the School commenced operations in 2017, all tax years are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through March 14, 2019, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**NOTE 2 - PRIOR PERIOD FINANCIAL ACTIVITY**

Prior to the year ended June 30, 2018 (the School's first year of operations), the School received income from several grants and contributions to fund necessary startup costs. The School had a cash balance of \$667,682, grants receivable of \$90,753, property and equipment of \$169,348, accounts payable and accrued expenses of \$233,243, refundable advances of \$234,283, a short-term note payable of \$250,000, and a net assets balance of \$210,257 as of July 1, 2017.

**IGNITE ACHIEVEMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 3 - VALUATION OF IN-KIND SERVICES**

The School has recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$1,672,000 during the year ended June 30, 2018. These in-kind transactions represent approximately 25% of both total revenue and support and total expenses for the year ended June 30, 2018. The values of these in-kind services are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented. Management has not performed an analysis of the reasonability of the valuations.

**NOTE 4 - REFUNDABLE ADVANCES**

The School has been awarded grants to provide educational instruction that are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The School had refundable grant advances in excess of expenditures of \$150,200 as of June 30, 2018.

**NOTE 5 - NOTE PAYABLE**

The School acquired short-term financing through IPS as part of its Innovation Charter Agreement during 2017. The School requested preoperational funds as set forth in the agreement in the amount of \$250,000. The preoperational funds were acquired interest free and had a term of 12 months. The note payable was repaid in full during the year ended June 30, 2018.

**NOTE 6 - RETIREMENT PLANS**

The School maintains a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make contributions at its discretion. Alternatively, an employee may participate in the Indiana State Teachers' Retirement Plan ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan sponsored by the State of Indiana and administered by the Indiana Public Retirement System Board. For the year ended June 30, 2018, the School contributed 7.5% of defined compensation to each employee's retirement plan account of choice. Retirement plan expense was \$63,641 for the year ended June 30, 2018.

**NOTE 7 - RISKS AND UNCERTAINTIES**

The School provides educational instruction services to families residing in Marion and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

**IGNITE ACHIEVEMENT ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 7 - RISKS AND UNCERTAINTIES, Continued**

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2018, all of the receivable balance was due from the State of Indiana. In addition, deposits are maintained at First Financial Bank and are insured up to the FDIC insurance limit.

**NOTE 8 - FUNCTIONAL EXPENSE REPORTING**

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain expenses have been allocated between program services and management and general expenses.

**IGNITE ACHIEVEMENT ACADEMY, INC.**

**OTHER REPORT**

**For the Year Ended June 30, 2018**

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Ignite Achievement Academy, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.