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March 11, 2020

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, 2018 to June 30, 2019. 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, 2019 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 finding in the report on pages 18 through 19. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

We call your attention to the Emphasis of Matters paragraph included in the Independent Auditors' Report and further detailed in Notes 2 and 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
Paul D. Joyce, CPA
State Examiner

IGNITE ACHIEVEMENT ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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.

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, 2019 and 2018, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matters

As discussed in Note 2 to the financial statements, net assets as of June 30, 2018 have been adjusted to correct an error pertaining to grant revenues that should have been recognized during the year ended June 30, 2018 in the amount of \$196,927. This correction is reflected in the accompanying financial statements as an increase in grants revenue during the year ended June 30, 2018, a corresponding increase in grants receivable as of June 30, 2018, and an increase in net assets as of June 30, 2018. Our opinion is not modified with respect to this 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 \$1,847,786 and \$1,672,000 during the year ended June 30, 2019 and 2018, respectively. These in-kind transactions represent approximately 24% of revenue and support and 28% of total expenses for the year ended June 30, 2019 and 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and related notes are presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and related notes are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020 on our consideration of Ignite Achievement Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ignite Achievement Academy, Inc.'s internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana
January 27, 2020

IGNITE ACHIEVEMENT ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 893,344	\$ 232,749
Grants receivable	92,789	213,004
Prepaid expenses	<u>14,645</u>	<u>12,365</u>
<i>Total current assets</i>	<u>1,000,778</u>	<u>458,118</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	531,946	391,878
Leasehold improvements	11,107	11,107
Less: accumulated depreciation	<u>(75,317)</u>	<u>(26,576)</u>
<i>Property and equipment, net</i>	<u>467,736</u>	<u>376,409</u>
TOTAL ASSETS	<u><u>\$ 1,468,514</u></u>	<u><u>\$ 834,527</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 158,504	\$ 323,917
Refundable advances	<u>-</u>	<u>150,200</u>
<i>Total liabilities</i>	158,504	474,117
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>1,310,010</u>	<u>360,410</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,468,514</u></u>	<u><u>\$ 834,527</u></u>

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

IGNITE ACHIEVEMENT ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
Student-based allocation funding from IPS	\$ 4,095,801	\$ 3,717,904
In-kind contributions from IPS	1,847,786	1,672,000
Grants	1,684,287	1,362,145
Contributions	19,216	35,299
Interest	787	1,859
Other	<u>6,378</u>	<u>6,289</u>
 <i>Total revenue and support</i>	 <u>7,654,255</u>	 <u>6,795,496</u>
 EXPENSES		
Program services	5,714,314	5,985,916
Management and general	<u>990,341</u>	<u>659,427</u>
 <i>Total expenses</i>	 <u>6,704,655</u>	 <u>6,645,343</u>
 CHANGE IN NET ASSETS	 949,600	 150,153
 NET ASSETS, BEGINNING OF YEAR	 <u>360,410</u>	 <u>210,257</u>
 NET ASSETS, END OF YEAR	 <u>\$ 1,310,010</u>	 <u>\$ 360,410</u>

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

IGNITE ACHIEVEMENT ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
In-kind expenses:						
Occupancy	\$ 1,165,292	\$ 61,331	\$ 1,226,623	\$ 981,825	\$ 51,675	\$ 1,033,500
Student transportation	454,486	-	454,486	583,800	-	583,800
Student supports	104,165	-	104,165	-	-	-
Security services	<u>31,256</u>	<u>31,256</u>	<u>62,512</u>	<u>27,350</u>	<u>27,350</u>	<u>54,700</u>
<i>Total in-kind expenses</i>	<u>1,755,199</u>	<u>92,587</u>	<u>1,847,786</u>	<u>1,592,975</u>	<u>79,025</u>	<u>1,672,000</u>
Direct expenses:						
Salaries and wages	2,269,304	406,371	2,675,675	2,296,925	309,590	2,606,515
Employee benefits	402,153	60,323	462,476	471,255	64,300	535,555
Staff development	99,517	-	99,517	200,386	-	200,386
Professional services	464,690	357,906	822,596	408,256	132,670	540,926
Student transportation	2,610	-	2,610	55,319	-	55,319
Repairs and maintenance	174,019	9,159	183,178	164,934	8,681	173,615
Food costs	258,337	-	258,337	378,613	-	378,613
Travel and meetings	14,294	13,874	28,168	6,022	13,025	19,047
Classroom and office supplies	119,936	39,450	159,386	287,589	15,136	302,725
Information technology	62,483	308	62,791	81,158	4,272	85,430
Depreciation	50,668	-	50,668	26,576	-	26,576
Insurance	21,838	-	21,838	137	20,890	21,027
Equipment rental	6,987	-	6,987	12,026	218	12,244
Other	<u>12,279</u>	<u>10,363</u>	<u>22,642</u>	<u>3,745</u>	<u>11,620</u>	<u>15,365</u>
<i>Total direct expenses</i>	<u>3,959,115</u>	<u>897,754</u>	<u>4,856,869</u>	<u>4,392,941</u>	<u>580,402</u>	<u>4,973,343</u>
<i>Total functional expenses</i>	<u>\$ 5,714,314</u>	<u>\$ 990,341</u>	<u>\$ 6,704,655</u>	<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.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 949,600	\$ 150,153
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	50,668	26,576
(Gain) loss on disposal of assets	8,398	-
Changes in certain assets and liabilities:		
Grants receivable	120,215	(122,251)
Prepaid expenses	(2,280)	(12,365)
Accounts payable and accrued expenses	(165,413)	90,674
Refundable advances	(150,200)	(84,083)
	810,988	48,704
<i>Net cash provided by operating activities</i>		
INVESTING ACTIVITIES		
Purchases of property and equipment	(150,393)	(233,637)
FINANCING ACTIVITIES		
Principal payments on note payable	-	(250,000)
NET CHANGE IN CASH	660,595	(434,933)
CASH, BEGINNING OF YEAR	232,749	667,682
CASH, END OF YEAR	\$ 893,344	\$ 232,749

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

IGNITE ACHIEVEMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 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 545 students in grades kindergarten through six during the 2018 - 2019 school year.

In March 2017, the School entered into an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as 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.

Financial Statement Presentation – Effective with the June 30, 2019 year end, the School adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires changes to the financial reporting model for not-for-profit entities, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires additional disclosures regarding the liquidity of financial assets. ASU 2016-14 must be applied on a retrospective basis. Net assets as of June 30, 2019 and 2018 were without donor restrictions.

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 Charter School 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.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2019 and 2018.

IGNITE ACHIEVEMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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	5 - 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, 2019, 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 January 27, 2020, 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 ADJUSTMENT

Net assets as of June 30, 2018 have been adjusted to correct an error pertaining to grant revenues that should have been recognized during the year ended June 30, 2018. The amount of the adjustment is \$196,927, which is reflected in the accompanying financial statements as an increase in grants revenue during the year ended June 30, 2018, a corresponding increase in grants receivable as of June 30, 2018, and an increase in net assets as of June 30, 2018.

IGNITE ACHIEVEMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 3 - VALUATION OF IN-KIND SERVICES

The School has recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$1,847,786 and \$1,672,000 during the years ended June 30, 2019 and 2018, respectively. These in-kind transactions represent approximately 24% of revenue and support and 28% of total expenses for the year ended June 30, 2019 and 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.

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, all of which was utilized during the year ended June 30, 2019.

NOTE 5 - LINE OF CREDIT

The School has an authorized line of credit in the amount of \$100,000 with First Financial Bank maturing in July 2020. As of June 30, 2019, no draws have been made on this line of credit.

NOTE 6 - NOTE PAYABLE

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

NOTE 7 - LEASES

The School leases office equipment under operating leases that expire in fiscal year 2024. Total lease expense was \$3,892 and \$3,353 for the years ended June 30, 2019 and 2018, respectively.

A schedule of minimum lease obligations are as follows for the years ending June 30:

2020	\$	8,628
2021		8,628
2022		8,628
2023		8,188
2024		837

IGNITE ACHIEVEMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 8 - 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 years ended June 30, 2019 and 2018, the School contributed 7.5% of defined compensation to each employee's retirement plan account of choice. Retirement plan expense was \$55,959 and \$63,641 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - 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. The School also receives substantial financial assistance from IPS in the form of in-kind contributions covering occupancy, student transportation, students supports, and security services. Changes to the Innovation Network Charter School Agreement with IPS 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.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2019, 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 10 - LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2019 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash and grants receivable. The School's financial assets at June 30, 2019 total \$986,133, all of which are available to meet cash needs for general expenditures within the next year.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the School has a line of credit with \$100,000 available to meet cash needs for general expenditures.

IGNITE ACHIEVEMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 11 - 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. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. Certain expenses have been allocated between program services and management and general expenses.

SUPPLEMENTARY INFORMATION

IGNITE ACHIEVEMENT ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 119,761
National School Lunch Program	10.555		<u>215,950</u>
<i>Total for U.S. Department of Agriculture</i>			<u>335,711</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Grants to Local Educational Agencies			
	84.010	18-9010	23,275
	84.010	19-9010	482,553
Title II, Supporting Effective Instruction State Grants			
	84.367		44,606
Special Education Cluster			
Special Education - Grants to States	84.027	18611-606-DN01	<u>71,339</u>
<i>Total for U.S. Department of Education</i>			<u>621,773</u>
<i>Total federal awards expended</i>			<u>\$ 957,484</u>

See independent auditors' report and accompanying notes to this schedule.

IGNITE ACHIEVEMENT ACADEMY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Ignite Achievement Academy, Inc. (the “School”) under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Ignite Achievement Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ignite Achievement Academy, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2019, 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, and have issued our report thereon dated January 27, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. The results of our tests disclosed one instance of a material weakness in internal control that was required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2019-001. Additional material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Ignite Achievement Academy, Inc.'s Response to Finding

The School's response to the finding identified in our audit is described in the accompanying corrective action plan on page 20. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

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

Indianapolis, Indiana
January 27, 2020



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *THE UNIFORM GUIDANCE*

The Board of Directors
Ignite Achievement Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited Ignite Achievement Academy, Inc.'s (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2019. The School's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN



Indianapolis, Indiana
January 27, 2020

IGNITE ACHIEVEMENT ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Grants to Local Educational Agencies

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

IGNITE ACHIEVEMENT ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

II. Financial Statement Findings

FINDING NO. 2019-001 LACK OF FINANCIAL OVERSIGHT
MATERIAL WEAKNESS

Condition

Several material adjustments were required to be proposed and recorded during the audit for the financial statements to be free of material misstatement. Included in those were adjustments to move revenues related to federal cost-reimbursement grants into the prior year. Expenditures related to said grants occurred in the prior year but were not applied towards revenue until claims were submitted which resulted in revenues reported in the incorrect period.

Criteria

2 CFR part 200.510(a) requires that “the auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.”

2 CFR part 200.510(b) requires “the auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.”

Cause

The School did not record revenue related to Federal grants until claims were submitted, which was after the end of the fiscal year. Additionally, the School did not disclose to the auditors that expenses had occurred that had not been claimed.

Effect

The prior period financial statements had under-reported revenue by \$196,927, all of which related to Federal cost-reimbursement grants. This additional federal grant revenue moved back into the prior period makes Ignite Achievement Academy, Inc. subject to testing by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* in the prior year.

Recommendation

We recommend the School develop a system of internal controls which allows it to properly identify all transactions required to be recorded for periodic reporting on the accrual basis under accounting principles generally accepted in the United States of America. The School should specifically ensure all Federal cost reimbursement grant revenues are recorded in the proper period at the time expenses occur.

III. Federal Award Findings and Questioned Costs

No matters reported.



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Indianapolis, IN 46260

RE: Official response to Financial Statements compliance findings:

LACK OF FINANCIAL OVERSIGHT MATERIAL WEAKNESS:

Finding:

Condition

Several material adjustments were required to be proposed and recorded during the audit for the financial statements to be free of material misstatement. Included in those were adjustments to move revenues related to federal cost-reimbursement grants into the prior year. Expenditures related to said grants occurred in the prior year but were not applied towards revenue until claims were submitted which resulted in revenues reported in the incorrect period.

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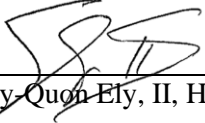
Recommendation

We recommend the School implement and record Federal grant revenues at the time expenses occur.

School Response:

Due to this finding Ignite Achievement Academy will be transitioning to a new external CPA firm who has a greater knowledge of charter school accounting and can provide oversight and assistance to Ignite's leadership regarding federal reimbursement grant expenditure and revenue recognition to ensure that revenues are recorded in the correct period.

Sincerely,



Shy-Quon Ely, II, Head of School

1/27/2020

Date



Dr. Demetrees Hutchins., IAA Board Chair

1/27/2020

Date

IGNITE ACHIEVEMENT ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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

Supplemental Audit Report of 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*.