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January 15, 2021

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, 2019 to June 30, 2020. 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, 2020 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 findings in the report on pages 19 through 22. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 23-25.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 2.

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 Years Ended June 30, 2020 and 2019



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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, 2020 and 2019, 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 audits 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Ignite Achievement Academy, Inc. recorded in-kind contributions and offsetting expenses from Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools (“IPS”), a related party, totaling \$1,438,765 and \$1,847,786 during the year ended June 30, 2020 and 2019, respectively. These in-kind transactions represent approximately 22% of both revenue and support and total expenses for the year ended June 30, 2020 and 24% of revenue and support and 28% of total expenses for the year ended June 30, 2019. These amounts are calculated by IPS 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 December 21, 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
December 21, 2020

IGNITE ACHIEVEMENT ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,126,606	\$ 893,344
Grants receivable	91,135	92,789
Prepaid expenses	<u>14,161</u>	<u>14,645</u>
<i>Total current assets</i>	<u>1,231,902</u>	<u>1,000,778</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	901,031	531,946
Leasehold improvements	55,107	11,107
Less: accumulated depreciation	<u>(182,764)</u>	<u>(75,317)</u>
<i>Property and equipment, net</i>	<u>773,374</u>	<u>467,736</u>
TOTAL ASSETS	<u><u>\$ 2,005,276</u></u>	<u><u>\$ 1,468,514</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 192,255	\$ 158,504
Paycheck Protection Program note payable	<u>466,600</u>	<u>-</u>
<i>Total liabilities</i>	658,855	158,504
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>1,346,421</u>	<u>1,310,010</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,005,276</u></u>	<u><u>\$ 1,468,514</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
Student-based allocation funding from Indianapolis Public Schools	\$ 3,117,363	\$ 4,095,801
In-kind contributions from Indianapolis Public Schools	1,438,765	1,847,786
Grants	1,880,257	1,684,287
Contributions	29,818	19,216
Interest	1,265	787
Other	14,625	6,378
	<u>6,482,093</u>	<u>7,654,255</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	5,315,508	5,714,314
Management and general	1,130,174	990,341
	<u>6,445,682</u>	<u>6,704,655</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	36,411	949,600
NET ASSETS, BEGINNING OF YEAR	<u>1,310,010</u>	<u>360,410</u>
NET ASSETS, END OF YEAR	<u>\$ 1,346,421</u>	<u>\$ 1,310,010</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, 2020 and 2019

	<u>2020</u>			<u>2019</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	\$ 855,005	\$ 45,000	\$ 900,005	\$ 1,165,292	\$ 61,331	\$ 1,226,623
Student transportation	398,925	-	398,925	454,486	-	454,486
Student supports	88,375	-	88,375	104,165	-	104,165
Security services	<u>25,730</u>	<u>25,730</u>	<u>51,460</u>	<u>31,256</u>	<u>31,256</u>	<u>62,512</u>
<i>Total in-kind expenses</i>	<u>1,368,035</u>	<u>70,730</u>	<u>1,438,765</u>	<u>1,755,199</u>	<u>92,587</u>	<u>1,847,786</u>
Direct expenses:						
Salaries and wages	2,292,063	404,482	2,696,545	2,269,304	406,371	2,675,675
Professional services	234,563	547,314	781,877	464,690	357,906	822,596
Employee benefits	444,743	60,647	505,390	402,153	60,323	462,476
Information technology	216,664	-	216,664	62,868	308	63,176
Repairs and maintenance	191,216	10,064	201,280	174,019	9,159	183,178
Food costs	160,874	-	160,874	258,337	-	258,337
Staff development	141,631	-	141,631	99,517	-	99,517
Depreciation	107,447	-	107,447	50,668	-	50,668
Classroom and office supplies	83,133	14,671	97,804	119,936	39,450	159,386
Insurance	39,838	-	39,838	21,838	-	21,838
Travel and meetings	13,789	13,789	27,578	14,294	13,874	28,168
Equipment rental	13,035	-	13,035	6,987	-	6,987
Student transportation	-	-	-	2,610	-	2,610
Other	<u>8,477</u>	<u>8,477</u>	<u>16,954</u>	<u>11,894</u>	<u>10,363</u>	<u>22,257</u>
<i>Total direct expenses</i>	<u>3,947,473</u>	<u>1,059,444</u>	<u>5,006,917</u>	<u>3,959,115</u>	<u>897,754</u>	<u>4,856,869</u>
<i>Total functional expenses</i>	<u>\$ 5,315,508</u>	<u>\$ 1,130,174</u>	<u>\$ 6,445,682</u>	<u>\$ 5,714,314</u>	<u>\$ 990,341</u>	<u>\$ 6,704,655</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 36,411	\$ 949,600
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,447	50,668
Loss on disposal of assets	-	8,398
Changes in certain assets and liabilities:		
Grants receivable	1,654	120,215
Prepaid expenses	484	(2,280)
Accounts payable and accrued expenses	33,751	(165,413)
Refundable advances	-	(150,200)
	179,747	810,988
<i>Net cash provided by operating activities</i>	179,747	810,988
INVESTING ACTIVITIES		
Purchases of property and equipment	(413,085)	(150,393)
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program note payable	466,600	-
NET CHANGE IN CASH	233,262	660,595
CASH, BEGINNING OF YEAR	893,344	232,749
CASH, END OF YEAR	\$ 1,126,606	\$ 893,344

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, 2020 and 2019

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 ("OEI") 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 405 students in grades kindergarten through six during the 2019-2020 school year (545 students 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.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which include unrestricted resources that are available for the operating objectives of the School; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2020 and 2019, the School had only net assets without donor restrictions.

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

IGNITE ACHIEVEMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, continued – The School has elected to defer implementation of Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaces most existing revenue recognition guidance under U.S. GAAP and requires disclosure relating to the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers. ASU 2014-09 was to take effect for fiscal years beginning after December 15, 2018, but in May 2020, the Financial Accounting Standards Board allowed for a one-year deferral. Management believes the implementation of ASU 2014-09 will not significantly affect how the School reports revenue.

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, 2020 and 2019.

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 – The School 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 years ended June 30, 2020 and 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 December 21, 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.

IGNITE ACHIEVEMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 2 - VALUATION OF IN-KIND SERVICES

The School has recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$1,438,765 and \$1,847,786 during the years ended June 30, 2020 and 2019, respectively. These in-kind transactions represent approximately 22% of both revenue and support and total expenses for the year ended June 30, 2020 and 24% of revenue and support and 28% of total expenses for the year ended June 30, 2019. 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 3 - PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes the Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from the PPP notes payable can be used for costs related to payroll, employee healthcare, rent, and utilities. On May 4, 2020, the School was granted a note payable from First Financial Bank in the amount of \$466,600 pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on May 4, 2022 and bears interest at a rate of 1.00%. To the extent the funds are used for qualifying expenses under the program during the 24-week period beginning on the date of the loan funding, the School may apply for loan forgiveness. The School has determined the PPP note payable represents a financial liability and has accounted for it in accordance with FASB ASC 470, *Simplifying the Classification of Debt*, until forgiveness is obtained. Management believes the funds will be used for qualified expenses and will be fully forgiven. Accordingly, the note payable is included as a current liability on the statement of financial position as of June 30, 2020.

NOTE 4 - LINE OF CREDIT

The School has an authorized line of credit in the amount of \$100,000 with First Financial Bank maturing in July 2021. As of June 30, 2020 and 2019, no draws have been made on this line of credit.

NOTE 5 - LEASES

The School leases office equipment under operating leases that expire in fiscal year 2024. Total lease expense was \$13,035 and \$6,987 for the years ended June 30, 2020 and 2019, respectively.

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

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, 2020 and 2019

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 Fund ("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, 2020 and 2019, the School contributed 7.5% of defined compensation to each employee's retirement plan account of choice. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2019 (the latest year reported), TRF was approximately 80% funded.

Retirement plan expense was \$31,408 and \$55,959 during the years ended June 30, 2020 and 2019, respectively.

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 are provided by IPS and are calculated based on 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, 2020, 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. As of and throughout the years ended June 30, 2020 and 2019, cash exceeded the insured limit.

IGNITE ACHIEVEMENT ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 8 - COMMITMENT

The School operates under a charter granted by OEI. As the sponsoring organization, OEI exercises certain oversight responsibilities. Beginning on July 1st before the School's fourth school year, OEI will assess a fee equal to 1% of the basic tuition support received by the School. No management fees were paid during the years ended June 30, 2020 and 2019.

The charter agreement with OEI requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2020, this account has not been established.

NOTE 9 - LIQUIDITY

Financial assets held by the School include cash and grants receivable totaling \$1,217,741 and \$986,133 as of June 30, 2020 and 2019, respectively, 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.

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements 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, 2020

<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		\$ 77,040
COVID-19 - School Breakfast Program	10.553		5,381
National School Lunch Program	10.555		116,158
COVID-19 - National School Lunch Program	10.555		<u>11,340</u>
<i>Total for U.S. Department of Agriculture</i>			<u>209,919</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Grants to Local Educational Agencies			
	84.010	19-9010	27,734
	84.010	20-9010	467,939
Special Education Cluster			
Special Education - Grants to States			
	84.027	19611-606-DN01	136,538
	84.027	20611-606-DN01	100,019
Title IV, Part A			
Student Support and Academic Enrichment			
	84.424		35,805
Charter Schools Program			
State Educational Agencies Grant			
	84.282A		<u>450,386</u>
<i>Total for U.S. Department of Education</i>			<u>1,218,421</u>
<i>Total federal awards expended</i>			<u><u>\$ 1,428,340</u></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, 2020

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, 2020. The information in the 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, change 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, 2020, 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 December 21, 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. 2020-001. 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 pages 23 and 24. 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 letters are cursive and slightly slanted to the right.

Indianapolis, Indiana
December 21, 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, 2020. 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 each of 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, 2020.

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003. Our opinion on each major federal program is not modified with respect to this matter.

The School's responses to the noncompliance findings identified in our audit are described in the corrective action plans on page 24 and 25. The School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003 to be significant deficiencies.

The School's responses to the internal control over compliance findings identified in our audit are described in the corrective action plans on pages 24 and 25. The School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

Indianapolis, Indiana
December 21, 2020

IGNITE ACHIEVEMENT ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

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?	Yes
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)?	Yes
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
	National School Lunch Program
84.282A	Charter Schools Program
	State Educational Agencies Grant

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, 2020

II. Financial Statement Findings

FINDING NO. 2020-001 LACK OF FINANCIAL OVERSIGHT (REPEAT FINDING)
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. Those adjustments resulted in the following increases/(decreases) to the financial statements.

Assets	\$ 115,816
Liabilities	30,928
Net assets	(10,669)
Revenue	44,480
Expenses	(51,077)

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.”

Cause

The School did not have sufficient financial oversight to ensure all transactions were substantiated, grant revenues were recorded in the proper period, and all accounts were reconciled timely and accurately.

Effect

Material misstatements existed in the unadjusted financial records prior to the audit.

Recommendation

We recommend the School develop internal controls to ensure proper financial oversight is provided.

Views of Responsible Officials

The School’s Corrective Action Plan is included on pages 23 and 24.

IGNITE ACHIEVEMENT ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

III. Federal Award Findings and Questioned Costs

FINDING NO. 2020-002 CASH MANAGEMENT (SIGNIFICANT DEFICIENCY)
FEDERAL PROGRAM OR CLUSTER: CHILD NUTRITION CLUSTER
CFDA NUMBER: 10.553 & 10.555

Criteria

Per 7 CFR 210.14(b) and 7 CFR 220.7(e)(1)(iv), the “school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency.”

Condition

Based on the School’s expense reporting, a three-month average of expenditures would be approximately \$46,000. The School was carrying a balance in excess of the three-month average of expenditures in five of the twelve months under audit, including a balance of approximately \$57,000 as of June 30, 2020.

Cause

The School has not properly monitored the balance of these funds to make sure funds were expended in a manner to allow for compliance with federal guidelines.

Effect

This significant deficiency in internal control resulted in the School having an excessive cash balance in its meal program funds and not being in compliance with 7 CFR 210.14(b) and 7 CFR 220.7(e)(1)(iv).

Recommendation

We recommend the School develop internal controls to allow for closer monitoring of the balance of these funds. We also recommend the School proactively communicate this cash management finding to the Indiana Department of Education to discuss a remedial plan of action.

Views of Responsible Officials

The School’s Corrective Action Plan is included on page 24.

IGNITE ACHIEVEMENT ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

III. Federal Award Findings and Questioned Costs, continued

FINDING NO. 2020-003 PROCUREMENT (SIGNIFICANT DEFICIENCY)
FEDERAL PROGRAM OR CLUSTER: CHARTER SCHOOLS PROGRAM
CFDA NUMBER: 84.282A

Criteria

Per 2 CFR 200.318, “The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §200.317 through 200.327.”

Condition

The School’s procurement policies do not include wording or procedures to ensure the School is complying with the above standard.

Cause

A responsible individual is not monitoring Federal regulations to ensure the School’s procurement procedures are properly documented and in line with the regulations.

Effect

Not documenting these procedures could result in the School completing procurement transactions that are not in compliance with Federal regulations.

Recommendation

We recommend the School develop a written procurement policy that incorporates the Federal regulations identified above.

Views of Responsible Officials

The School’s Corrective Action Plan is included on page 25.



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Indianapolis, IN 46260

RE: Official response to Financial Statements compliance findings:

FINDING NO. 2020-001: LACK OF FINANCIAL OVERSIGHT (REPEAT FINDING) 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. Those adjustments resulted in the following increases/(decreases) to the financial statements.

Assets	\$ 115,816
Liabilities	30,928
Net assets	(10,669)
Revenue	44,480
Expenses	(51,077)

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.”

Cause

The School did not have sufficient financial oversight to ensure all transactions were substantiated, grant revenues were recorded in the proper period, and all accounts were reconciled timely and accurately.

Effect

Material misstatements existed in the unadjusted financial records prior to the audit.

Recommendation

We recommend the School develop internal controls to ensure proper financial oversight is provided.

School Response:

We have added a monthly review of financial statements to ensure the treatment of entries are captured correctly. We have incorporated a new process to record grant revenues in the proper period. We will ensure all accounts are reconciled timely and accurately.

The material adjustments were due to unique circumstances. We transitioned to a new accounting firm in March of 2020 after the lack of financial oversight finding in February 2020 from the 2018-2019 audit. Due to the transition to a new firm, lingering issues affected the 2019-2020 audit.

Implementation prior to June 30, 2020: CPA Firm, Business Operations Manager
Oversite: Chief of Staff

**FINDING NO. 2020-002 CASH MANAGEMENT (SIGNIFICANT DEFICIENCY)
FEDERAL PROGRAM OR CLUSTER: CHILD NUTRITION CLUSTER
CFDA NUMBER: 10.553 & 10.555**

Criteria

Per 7 CFR 210.14(b) and 7 CFR 220.7(e)(1)(iv), the “school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency.”

Condition

Based on the School’s expense reporting, a three-month average of expenditures would be approximately \$46,000. The School was carrying a balance in excess of the three-month average of expenditures in five of the twelve months under audit, including a balance of approximately \$57,000 as of June 30, 2020.

Cause

The School has not properly monitored the balance of these funds to make sure funds were expended in a manner to allow for compliance with federal guidelines.

Effect

This significant deficiency in internal control resulted in the School having an excessive cash balance in its meal program funds and not being in compliance with 7 CFR 210.14(b) and 7 CFR 220.7(e)(1)(iv).

Recommendation

We recommend the School develop internal controls to allow for closer monitoring of the balance of these funds. We also recommend the School proactively communicate this cash management finding to the Indiana Department of Education to discuss a remedial plan of action.

School Response:

We will work with our new accounting firm and communicate with the Indiana Department of Education School Nutrition to develop a mutually-agreeable plan to ensure the child nutrition fund is in compliance with SBOA standard.

We disagree with this finding because the School Nutrition deposits are funds that are reimbursed to the school based on the number of student meals served per month. We purchase our meals from IPS and are invoiced each month for purchases. Due to the COVID-19 pandemic the months of April, May and June 2020 claims were not submitted as student meals were not served or purchased from IPS. Due to the unique nature of operating in an IPS-owned building spending down cash is more challenging.

Implementation prior to June 30, 2020: CPA Firm, Business Operations Manager
Oversite: Chief of Staff

**FINDING NO. 2020-003 PROCUREMENT (SIGNIFICANT DEFICIENCY)
FEDERAL PROGRAM OR CLUSTER: CHARTER SCHOOLS PROGRAM
CFDA NUMBER: 84.282A**

Criteria

Per 2 CFR 200.318, “The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity’s documented procurement procedures must conform to the procurement standards identified in §200.317 through 200.327.”

Condition

The School’s procurement policies do not include wording or procedures to ensure the School is complying with the above standard.

Cause

A responsible individual is not monitoring Federal regulations to ensure the School’s procurement procedures are properly documented and in line with the regulations.

Effect

Not documenting these procedures could result in the School completing procurement transactions that are not in compliance with Federal regulations.

Recommendation



We recommend the School develop a written procurement policy that incorporates the Federal regulations identified above.

School Response:

We will update our current procurement policy to incorporate the Federal regulations.

Implementation prior to June 30, 2020: Chief of Staff

Sincerely,

 _____ Shy-Quon Ely, II, Head of School, ABD	_____ 12/21/2020 Date
 _____ Angela Dabney, IAA Board Chair	_____ 12/21/2020 Date

IGNITE ACHIEVEMENT ACADEMY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

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

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.

Recommendation

It was recommended that 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 of accounting under accounting principles generally accepted in the United States of America. Doing so would enable the School to ensure all Federal cost reimbursement grant revenues are recorded in the proper period at the time expenses occur.

Current Status

The School was able to materially remedy issues related to federal cost-reimbursement grants. However, material adjustments were still required during the audit of the June 30, 2020 fiscal year for the financial statements to be free of material misstatement. A repeat finding was presented as 2020-001 on page 20.

IGNITE ACHIEVEMENT ACADEMY, INC.

OTHER REPORT

For the Year Ended June 30, 2020

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*.