

**HOPE COMMUNITY CHARTER SCHOOL, INC.
d/b/a IMAGINE HOPE COMMUNITY CHARTER SCHOOL**

**Financial Statements and Supplemental Schedules Together with
Report of Independent Public Accountants**

For the Years Ended June 30, 2015 and 2014



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JUNE 30, 2015 AND 2014

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors of the
Hope Community Charter School, Inc.
d/b/a Imagine Hope Community Charter Schools

Report on the Financial Statements

We have audited the accompanying statements of financial position of Hope Community Charter School, Inc., d/b/a Imagine Hope Community Charter School (the School) as of June 30, 2015 and 2014, and the related statements of activities and change in net assets 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.

Auditor's 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; and the auditing standards established pursuant to the District of Columbia School Reform Act, Public law No. 104-134, 110 Stat. 1321-121, 2204(c)(ii)(B)(ix)(1996); D.C. Official Code 38-1802.04(ii)(B)(2001, as amended). 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 auditor's 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 auditor considers 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 the School as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the supplementary schedule of revenue and expenses by campus, and the supplementary schedule of functional expenses, are presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 other supplementary schedules are fairly stated in all material respects in relation to the basic 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 November 5, 2015 on our consideration of the School'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 the School's internal control over financial reporting and compliance.

Washington, DC
November 5, 2015

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Statements of Financial Position As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash	\$ 2,925,362	\$ 3,086,661
Grants receivable	683,634	352,656
Prepaid expense	7,305	27,076
Total Current Assets	<u>3,616,301</u>	<u>3,466,393</u>
Property and equipment, net	191,210	129,415
Total Assets	<u>\$ 3,807,511</u>	<u>\$ 3,595,808</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 487,026	\$ 526,497
Accrued salaries and payroll withholdings	848,290	561,461
Due to related organizations	-	720,392
Total Liabilities	<u>1,335,316</u>	<u>1,808,350</u>
Net Assets		
Unrestricted	2,472,195	1,787,458
Total Liabilities and Net Assets	<u>\$ 3,807,511</u>	<u>\$ 3,595,808</u>

The accompanying notes are an integral part of these financial statements.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Statements of Activities and Change in Net Assets For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Revenue and Other Support		
Tuition - per pupil funding allocation	\$ 14,847,850	\$ 13,583,857
Federal entitlements and grants	882,679	976,754
Other revenue	321,435	109,759
Total Unrestricted Revenue and Other Support	<u>16,051,964</u>	<u>14,670,370</u>
Expenses		
Educational services	13,213,663	11,888,926
General and administrative	2,153,564	2,251,641
Total Expenses	<u>15,367,227</u>	<u>14,140,567</u>
Change in Net Assets	684,737	529,803
Net assets, beginning of year	<u>1,787,458</u>	<u>1,257,655</u>
Net Assets, End of Year	<u>\$ 2,472,195</u>	<u>\$ 1,787,458</u>

The accompanying notes are an integral part of these financial statements.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Statements of Cash Flows For the Year Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 684,737	\$ 529,803
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	129,760	94,522
Effect of changes in non-cash assets and liabilities:		
Grants receivable	(330,978)	746,420
Prepaid expenses	19,771	(2,527)
Accounts payable	(39,471)	168,141
Accrued salaries and payroll withholdings	286,829	49,694
Due to related organizations	(720,392)	(422,862)
Net Cash from Operating Activities	<u>30,256</u>	<u>1,163,191</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(191,555)	(124,100)
Net change in cash	(161,299)	1,039,091
Cash, beginning of period	3,086,661	2,047,570
Cash, End of Period	<u>\$ 2,925,362</u>	<u>\$ 3,086,661</u>

The accompanying notes are an integral part of these financial statements.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2015 and 2014

1. ORGANIZATION

Hope Community Charter School, Inc., d/b/a Imagine Hope Community Charter School (the School) is a not-for-profit organization incorporated on September 21, 2004, and located in Washington, DC. The School was incorporated exclusively for educational purposes and is authorized by the District of Columbia Public Charter School Board (the Board). The current charter covers a term of 15 years through June 30, 2020 and may be renewed at the discretion of the Board. The School is also part of the District of Columbia Public School System. The School is tuition-free and serves Washington, DC children in grades pre-kindergarten to eighth grade. The School's mission is to shape the hearts and minds of our students positively, by providing them with an academically rigorous, content rich curriculum, in an environment in which character is molded and promoted and a community which builds trusting relationships with others.

The School's primary sources of support are local appropriations for charter schools from the District of Columbia Government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the School are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Grants Receivable

Grants receivable are recorded at their net realizable value. The School records an allowance for doubtful accounts equal to estimated losses that will be increased in the collection of receivables. The estimated losses are based on historical collection experience and the review of the current status of existing receivables. Management believes that all receivables were fully collectible as of June 30, 2015 and 2014.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment valued in excess of \$1,000, with an estimated useful life of more than one year, is capitalized and recorded at cost. Depreciation of property and equipment is computed using the straight-line method over the estimated useful life of the asset.

Replacements, maintenance, and repairs that do not improve the useful life of an asset are expensed as incurred.

Net Assets

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose uses by the School have been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets.

Permanently restricted net assets are those that are restricted by donors to be maintained by the School in perpetuity. There were no temporary or permanently restricted net assets as of June 30, 2015 and 2014.

Restricted and Unrestricted Support and Revenue

Contributions received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restriction.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the School.

Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Financial Accounting Standards Board Accounting Standards Codification 740 (ASC 740), *Income Taxes*, establishes guidelines for recognizing, measuring, and disclosing tax return positions in financial statements. Management has evaluated the tax positions of the School and determined that the application of ASC 740 had no material impact on its financial statements. Accordingly, no adjustments for unrecognized tax benefits or related interest or penalties were required as of June 30, 2015.

If applicable, the School would recognize accrued interest and penalties related to unrecognized tax benefits in the statement of activities and changes in net assets. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits would significantly increase or decrease during the next twelve months. Each of the tax years in the four-year period ending June 30, 2015, remains subject to examination by federal taxing authorities, however, certain state taxing authorities may lengthen this period to five years.

Subsequent Events

The School evaluated the accompanying financial statements for subsequent events and transactions through November 5, 2015, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2015 and 2014

3. PROPERTY AND EQUIPMENT

As of June 30, 2015 and 2014, property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>	<u>Useful Lives</u>
Furniture and equipment	\$ 172,079	\$ 168,528	10 Years
Computer equipment	298,334	288,620	5 Years
Software	20,753	20,753	5 Years
Textbooks	535,946	389,091	3 Years
Leasehold improvements	46,808	15,373	10 Years
Total	1,073,920	882,365	
Less: accumulated depreciation	882,710	752,950	
Property and Equipment, Net	\$ 191,210	\$ 129,415	

Depreciation expense was \$129,760 and \$94,522, for the years ended June 30, 2015 and 2014, respectively.

4. RELATED PARTY TRANSACTIONS

The School entered into a charter school operating agreement with Imagine Schools, Inc. (Imagine), on November 23, 2004. The School and Imagine desired to create an enduring educational alliance, whereby the School and Imagine work cooperatively to promote educational excellence and innovation, based on their respective school design, comprehensive educational programs, and management principles.

The School leases its facilities from an affiliate related to Imagine through common ownership (see Note 5).

The School pays Imagine an indirect cost allocation for the provision of on-going operational and financial support under an operating contract. This payment shall be equal to 12% of the total revenue provided by state and local governments during each fiscal year. Included in general and administrative expense is \$1,865,989 and \$1,719,811, paid to Imagine in indirect cost allocation expense for the years ended June 30, 2015 and 2014, respectively.

To the extent the School does not have sufficient funds to pay operating expenses, Imagine Schools, Inc. will forward funds to the School for payment of these expenses. Imagine Schools, Inc. is to be reimbursed for these amounts. Imagine Schools, Inc. did not charge any interest on these amounts advanced and outstanding during the years ended June 30, 2015 and 2014.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2015 and 2014

5. LEASES AND COMMITMENTS (Related Party)

Building Leases

On December 15, 2006, the School entered into a lease agreement for the Tolson Campus, which is located at 2917 8th Street, NE, Washington, DC. The lease for this location was leased from Schoolhouse Finance, LLC (a company related to Imagine Schools, Inc.). This lease began on December 15, 2006, and is scheduled to continue until August 22, 2020, the end of the School's Charter period. The scheduled base monthly payments on this lease are \$98,782 per month with an increase clause applied to these amounts as described below.

The lease includes an escalation clause requiring increased payments equal to the Consumer Price Index (CPI) increase for the immediately preceding calendar year as reported by the Bureau of Labor Statistics plus 1.5%. The commitment payments reflected below include the 1.5% increase and an estimate of 3% per year for the CPI increase. In addition to the base rent, the School is also required to pay all real property taxes and all other taxes and assessments of any kind made upon all or any portion of the leased premises, including improvements, equipment, furniture, fixtures, and personal property.

On August 2, 2007, the School entered into an operating lease agreement with Schoolhouse Finance, LLC for the rental of additional school building space, the Lamond Campus, located at 6200 Kansas Avenue, NE, Washington, DC. Beginning on July 1, 2010, the scheduled base monthly payments on this lease are \$116,079, per month thereafter with an increase clause applied. The lease includes an escalation clause requiring increased payments equal to the CPI increase for the immediately proceeding calendar year as reported by the Bureau of Labor Statistics.

6. CONTINGENCIES

The School was granted its charter by the District of Columbia Public Charter School Board and the District of Columbia Board of Education, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended.

Laws and regulations governing charter schools are complex and subject to interpretation. The School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operation of public charter schools.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2015 and 2014

6. CONTINGENCIES (continued)

The School receives financial assistance from Federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the School. The Schools administration believes such disallowance, if any, would be immaterial.

7. RETIREMENT PLAN

Various contracted employees of the School are covered by a defined contribution retirement plan. The School is required to contribute a matching contribution at a rate of up to 5% of annual eligible employee compensation. The School's contributions for the years ended June 30, 2015 and 2014, were \$118,614 and \$158,279, respectively.

SUPPLEMENTARY SCHEDULES

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Supplementary Schedule of Revenue and Expenses by Campus
For the Year Ended June 30, 2015, with Comparative Totals for 2014**

	2015			2014 Total
	Tolson	Lamond	Total	
Revenues and Other Support				
Tuition - per pupil	\$ 8,982,125	\$ 5,865,725	\$ 14,847,850	\$ 13,583,857
Federal entitlements and grants	564,353	307,057	871,410	976,754
Other revenue	160,649	172,801	333,450	109,759
Total Revenues and Other Support	9,707,127	6,345,583	16,052,710	14,670,370
Personnel Salaries and Benefits				
Principal and office salaries	777,235	481,298	1,258,533	1,085,622
Teacher salaries	2,661,342	1,484,601	4,145,943	3,540,205
Assistant teacher salaries and aides	451,351	392,927	844,278	790,659
Before and after care salaries	-	4,971	4,971	19,234
Food service salaries	111,120	64,657	175,777	174,097
Facilities salaries	137,334	55,978	193,312	247,401
Fringe benefits	535,209	316,067	851,276	898,177
Payroll taxes	344,994	184,319	529,313	497,641
Total Personnel, Salaries and Benefits	5,018,585	2,984,818	8,003,403	7,253,036
Direct Student Costs				
Textbooks and textbook depreciation	49,983	3,516	53,499	95,056
Classroom supplies	80,224	23,987	104,211	185,352
Contracted instructional/student services	200,461	153,214	353,675	338,924
Computer support and supplies	60,371	32,856	93,227	77,816
Student assessment materials	16,934	13,893	30,827	94,377
Food service costs	298,283	140,007	438,290	435,142
Transportation	-	350	350	-
Professional development costs	88,417	18,441	106,858	44,869
Classroom furniture/fixture rental	2,778	1,746	4,524	307
Student activity expenses	51,593	5,107	56,700	23,382
Field trips and parental involvement costs	41,042	18,115	59,157	47,013
Nursing supplies	2,239	397	2,636	1,488
Total Direct Student Costs	892,325	411,629	1,303,954	1,343,726

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Supplementary Schedule of Revenue and Expenses by Campus For the Year Ended June 30, 2015, with Comparative Totals for 2014 (continued)

Occupancy Costs				
Rent	1,308,022	1,513,872	2,821,894	2,773,987
Utilities	119,880	99,048	218,928	226,171
Repairs and maintenance	52,198	85,145	137,343	145,549
Custodian service	38,592	152,130	190,722	49,413
Other occupancy costs	-	-	-	10,652
Total Occupancy Costs	1,518,692	1,850,195	3,368,887	3,205,772
Office Expenses				
Office supplies and materials	84,767	27,347	112,114	37,578
Telecommunications	26,496	15,062	41,558	26,337
Staff meetings and meals	19,888	9,596	29,484	49,870
Printing and publications	22,378	15,929	38,307	54,763
Postage and shipping	1,890	4,874	6,764	5,948
Marketing and promotion	41,336	16,971	58,307	43,936
Other supplies	-	-	-	31,086
Total Office Expenses	196,755	89,779	286,534	249,518
General Expenses				
Insurance	52,440	54,396	106,836	82,164
Management fees and support fees	1,102,629	763,360	1,865,989	1,719,811
Start up development allocation	30,000	30,000	60,000	60,000
Charter administration fee	99,463	68,874	168,337	76,997
Professional services	32,558	40,968	73,526	55,021
Transfers	300,000	(300,000)	-	-
Depreciation	97,691	32,070	129,761	94,522
Total General Expenses	1,714,781	689,668	2,404,449	2,088,515
Total Expenses	9,341,138	6,026,089	15,367,227	14,140,567
Net Revenue/Expenses	\$ 365,989	\$ 319,494	\$ 685,483	\$ 529,803

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Supplementary Schedule of Functional Expenses
For the Year Ended June 30, 2015, with Comparative Totals for 2014**

	2015			2014 Totals
	Educational Services	General and Administrative	Total	
Contracted - Personnel Salaries and Benefits				
Principal and office salaries	\$ 1,132,680	\$ 125,853	\$ 1,258,533	1,085,622
Teacher salaries	4,145,943	-	4,145,943	3,540,205
Assistant teacher salaries and aides	844,278	-	844,278	790,659
Before and after care salaries	4,971	-	4,971	19,234
Food service salaries	175,777	-	175,777	174,097
Facilities salaries	193,312	-	193,312	247,401
Fringe benefits	825,738	25,538	851,276	898,177
Payroll taxes	513,434	15,879	529,313	497,641
Total Personnel, Salaries and Benefits	7,836,133	167,270	8,003,403	7,253,036
Direct Student Costs				
Textbooks and textbook depreciation	53,499	-	53,499	95,056
Classroom supplies	104,211	-	104,211	185,352
Contracted instructional/student services	353,675	-	353,675	338,924
Computer support and supplies	93,227	-	93,227	77,816
Student assessment materials	30,827	-	30,827	94,377
Food service costs	438,290	-	438,290	435,142
Transportation	350	-	350	-
Professional development costs	106,858	-	106,858	44,869
Classroom furniture/fixture rental	4,524	-	4,524	307
Student activity expenses	56,700	-	56,700	23,382
Field trips and parental involvement costs	59,157	-	59,157	47,013
Nursing supplies	2,636	-	2,636	1,488
Total Direct Student Costs	1,303,954	-	1,303,954	1,343,726
Occupancy Costs				
Rent	2,680,799	141,095	2,821,894	2,773,987
Utilities	207,982	10,946	218,928	226,171
Repairs and maintenance	130,476	6,867	137,343	145,549
Custodian service	181,186	9,536	190,722	49,413
Other occupancy costs	-	-	-	10,652
Total Occupancy Costs	3,200,443	168,444	3,368,887	3,205,772

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Supplementary Schedule of Functional Expenses
For the Year Ended June 30, 2015 with Comparative Totals for 2014 (continued)**

	2015			2014 Totals
	Educational Services	General and Administrative	Total	
Office Expenses				
Office supplies and materials	56,057	56,057	112,114	37,578
Telecommunications	20,779	20,779	41,558	26,337
Staff meetings and meals	14,742	14,742	29,484	49,870
Printing and publications	19,153	19,154	38,307	54,763
Postage and shipping	3,382	3,382	6,764	5,948
Marketing and promotion	29,153	29,154	58,307	43,936
Other supplies	-	-	-	31,086
Total Office Expenses	143,266	143,268	286,534	249,518
General Expenses				
Insurance	101,494	5,342	106,836	82,164
Management fees and support fees	-	1,865,989	1,865,989	1,719,811
Start up development allocation	-	60,000	60,000	60,000
Charter administration fee	168,337	-	168,337	76,997
Professional services	36,763	36,763	73,526	55,021
Transfers	300,000	(300,000)	-	-
Depreciation	123,273	6,488	129,761	94,522
Total General Expenses	729,867	1,674,582	2,404,449	2,088,515
Total Expenses	\$ 13,213,663	\$ 2,153,564	\$ 15,367,227	\$ 14,140,567



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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***

To the Board of Directors
Imagine Hope Community Charter School, Inc.
d/b/a Imagine Hope Community Charter Schools

We have audited 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, the financial statements of Hope Community Charter School, Inc., d/b/a Imagine Hope Community Charter Schools (the School), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 5, 2015.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, 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*.

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.

Washington, DC
November 5, 2015

A handwritten signature in cursive script that reads "SB & Company, LLC".



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**REPORT OF COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors
Imagine Hope Community Charter School, Inc.
d/b/a Imagine Hope Community Charter School

Report on Compliance for Each Major Federal Program

We have audited Hope Community Charter School, Inc., d/b/a Imagine Hope Community Charter Schools' (the School) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major Federal programs for the year ended June 30, 2015. The School's major Federal program is identified in the summary of auditor's 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.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

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 its major Federal program for the year ended June 30, 2015.

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 OMB Circular A-133, 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.



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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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Washington, DC
November 5, 2015

SB & Company, LLC

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Dept of Education		
<u>Pass-through D.C. Public Schools</u>		
Title I, Part A	84.010	\$ 360,238
IDEA 611	84.027A	95,601
IDEA 619	84.173A	1,009
E-Rate revenue	93.658	18,240
Total U.S. Dept of Education		475,088
U.S. Dept of Agriculture		
<u>Pass-through D.C. Public Schools</u>		
National School Lunch Program	10.553	407,591
Total Federal Expenditures		\$ 882,679

The accompanying notes are an integral part of this schedule.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All Federal grant operations of Imagine Hope Community Charter School, Inc., Imagine Hope Community Charter Schools (the School) are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133, Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant program noted below. This program represents a Federal award programs for fiscal year 2015 cash and non-cash expenditures in excess of \$300,000 to ensure coverage of at least 25% of Federally granted funds. Actual coverage is 41% of total cash and non-cash Federal award program expenditures.

<u>Major Federal Award Program Description</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
U.S. Department of Education <u>Pass through DC Public Schools</u> Title I, Part A	84.010	\$ 360,238

2. Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular-A-133, *Audits of States, Local Government, and Non-Profit Organizations*.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Section I – Summary of Independent Public Accountants’ Results

Financial Statements

Type of independent public accountants’ report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of independent public accountants’ report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	No

Identification of Major Program:

<u>Major Program</u>	Federal CFDA Number	Program Expenditures
U.S. Department of Education <u>Pass through DC Public Schools</u>		
Title I, Part A	84.010	\$ 360,238
Dollar threshold used to determine Type A and B programs		\$ 300,000
Is the School qualified as a low risk auditee?		Yes

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Section II – Financial Statement Findings

None reported.

Section III – Findings and Questioned Costs – Major Federal Award Program Audit

None reported.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2015**

There were no audit findings reported in accordance with OMB Circular A-133 for the year ended June 30, 2014.