

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

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

For the Years Ended June 30, 2017 and 2016



SB & COMPANY, LLC
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JUNE 30, 2017 AND 2016

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
SUPPLEMENTAL SCHEDULES	
Supplemental Schedule of Revenue and Expenses by Campus	14
Supplemental Schedules of Functional Expenses	16
SINGLE AUDIT	
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 <i>Government Auditing Standards</i>	18
Report of Independent Public Accountants on Compliance for Each Major Federal program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	20
Schedule of Expenditures of Federal Awards	22
Notes to the Schedule of Expenditures of Federal Awards	23
Schedules of Current Year Findings and Questioned Costs	24
Schedule of Prior Year Findings and Questioned Costs	31



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying statements of financial position of Hope Community Public Charter School, Inc., d/b/a Imagine Hope Community Charter School (the School) as of June 30, 2017 and 2016, 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.



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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, 2017 and 2016, 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 Matters

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplemental schedules of revenue and expenses by campus and of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying schedule of expenditures of Federal awards, is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 information is 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 January 15, 2018, 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
January 15, 2018

A handwritten signature in black ink that reads "SB & Company, LLC".

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Statements of Financial Position As of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 4,725,725	\$ 3,406,812
Grants receivable	859,266	679,287
Prepaid expense	-	13,803
Due from related party, net	198,940	223,055
Property and equipment, net	215,314	268,546
Total Assets	<u>\$ 5,999,245</u>	<u>\$ 4,591,503</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 664,123	\$ 467,534
Accrued salaries and payroll withholdings	473,659	637,287
Total Liabilities	<u>1,137,782</u>	<u>1,104,821</u>
Net Assets		
Unrestricted	4,861,463	3,486,682
Total Liabilities and Net Assets	<u>\$ 5,999,245</u>	<u>\$ 4,591,503</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue and Other Support		
Tuition - per pupil funding allocation	\$ 13,622,561	\$ 12,304,409
DC facilities allowance	2,755,368	2,655,813
Federal entitlements and grants	954,458	929,374
Student activities	87,570	104,076
Other revenue	102,790	194,169
Total Revenue and Other Support	<u>17,522,747</u>	<u>16,187,841</u>
Expenses		
Educational services	13,202,053	12,496,304
General and administrative	2,945,913	2,677,050
Total Expenses	<u>16,147,966</u>	<u>15,173,354</u>
Change in Net Assets	1,374,781	1,014,487
Net assets, beginning of year	3,486,682	2,472,195
Net Assets, End of Year	<u>\$ 4,861,463</u>	<u>\$ 3,486,682</u>

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

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,374,781	\$ 1,014,487
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	168,329	174,446
Effect of changes in non-cash assets and liabilities:		
Grants receivable	(179,979)	4,347
Due from related party, net	24,115	(213,651)
Prepaid expenses	13,803	(6,498)
Accounts payable	196,589	(28,896)
Accrued salaries and payroll withholdings	(163,628)	(211,003)
Net Cash from Operating Activities	1,434,010	733,232
Cash Flows from Investing Activities		
Purchases of property and equipment	(115,097)	(251,782)
Net change in cash	1,318,913	481,450
Cash, beginning of year	3,406,812	2,925,362
Cash, End of Year	\$ 4,725,725	\$ 3,406,812

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

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2017 and 2016

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 at two campuses, Tolson and Lamond. The School's mission is to shape the hearts and minds of its 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, 2017 and 2016.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2017 and 2016

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, 2017 and 2016.

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.

Advertising Costs

Advertising costs are expensed when incurred. The costs of advertising are expensed when the services are received. Advertising expense for the years ended June 30, 2017 and 2016, were \$28,306 and \$22,106, respectively.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2017 and 2016

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.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The School performed an evaluation of uncertain tax positions for the year ended June 30, 2017, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of June 30, 2017, the statute of limitations for fiscal years 2014 through 2017, remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the School files tax returns. It is the School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 consolidated financial statement presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, *Leases*, that creates a singular reporting model for leases. This standard will be effective for periods beginning after December 15, 2019. In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, that provides updated guidance on the reporting model for not-for-profits and the statement of cash flows. These standards are effective for periods beginning after December 15, 2017 and December 15, 2018, respectively. Management is evaluating the effects of these pronouncements on the financial statements, and will implement these pronouncements by their effective dates.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 requires management to assess an entity's ability to continue as a going concern. Management should evaluate whether conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. It is effective for annual reporting periods ending after December 15, 2016. Management implemented this pronouncement in fiscal year 2017. It did not materially impact the financial statements.

Subsequent Events

The School's management evaluated the accompanying financial statements for subsequent events and transactions through January 15, 2018, 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.

3. PROPERTY AND EQUIPMENT

As of June 30, 2017 and 2016, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>	<u>Useful Lives</u>
Furniture and equipment	\$ 197,286	\$ 182,955	10 Years
Computer equipment	527,701	468,461	5 Years
Software	25,173	25,173	5 Years
Textbooks	611,031	570,705	3 Years
Leasehold improvements	79,608	78,408	10 Years
Total	1,440,799	1,325,702	
Less: accumulated depreciation	<u>1,225,485</u>	<u>1,057,156</u>	
Property and Equipment, Net	<u>\$ 215,314</u>	<u>\$ 268,546</u>	

Depreciation expense was \$168,329 and \$174,446, for the years ended June 30, 2017 and 2016, respectively.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2017 and 2016

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 (i) 12% of the total revenue provided by state and local governments during each fiscal year plus (ii) a monthly administrative fee of \$2,500 per charter school campus. Included in general and administrative expense is indirect cost allocation expense of \$2,102,225 and \$1,934,611 for the years ended June 30, 2017 and 2016, respectively, and administrative expense of \$60,000 paid to Imagine for the years ended June 30, 2017 and 2016. As of June 30, 2017 and 2016, there was \$106,643 and \$0, respectively, in unpaid management fees recorded as accounts payable in the accompanying statements of financial position.

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, 2017 and 2016.

Additionally, the School incurred certain costs on behalf of Imagine for certain payroll and other payroll related benefit related costs. These costs are reimbursed to the School from Imagine. As of June 30, 2017 and 2016, \$198,940 and \$223,055, respectively, was due from Imagine.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2017 and 2016

5. BUILDING LEASES AND COMMITMENTS (RELATED PARTY)

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 preceding calendar year as reported by the Bureau of Labor Statistics.

The future minimum payments on the leases as of June 30, 2017, were as follows:

<u>Year Ended June 30,</u>	<u>Total</u>	<u>Tolson Campus</u>	<u>Lamond Campus</u>
2018	\$ 3,129,600	\$ 1,497,842	\$ 1,631,758
2019	3,223,488	1,542,777	1,680,711
2020	3,320,192	1,589,060	1,731,132
2021	1,987,657	204,591	1,783,066
Total	\$ 23,886,296	\$ 10,770,706	\$ 13,115,590

Rent expense totaled \$2,922,915 and \$2,866,282 for years ended June 30, 2017 and 2016, respectively.

6. CONTINGENCIES

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 School's management believes such disallowance, if any, would be immaterial.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Notes to the Financial Statements June 30, 2017 and 2016

6. CONTINGENCIES (continued)

The School receives a substantial portion of its revenue from the District of Columbia. If a significant reduction in this revenue should occur, it may have an effect on the School's programs. During the years ended June 30, 2017 and 2016, the School earned revenue of \$17,370,861 and \$15,889,596, from the District of Columbia, which was 99% of the total revenue and support, respectively. These amounts are reflected as per pupil allocation, DC facilities allowance, and Federal grants and entitlements in the accompanying statements of activities and change in net assets.

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, 2017 and 2016, were \$141,195 and \$131,315, respectively.

SUPPLEMENTAL SCHEDULES

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Supplemental Schedule of Revenue and Expenses by Campus
For the Year Ended June 30, 2017, with Comparative Totals for 2016**

	2017			2016 Total
	Tolson	Lamond	Total	
Revenues and Other Support				
Tuition - per pupil	\$ 8,728,567	\$ 4,893,994	\$ 13,622,561	\$ 12,304,409
DC facilities allowance	1,752,564	1,002,804	2,755,368	2,655,813
Federal entitlements and grants	620,155	334,303	954,458	929,374
Student Activities	40,645	46,925	87,570	104,076
Other revenue	70,602	32,188	102,790	194,169
Total Revenues and Other Support	11,212,533	6,310,214	17,522,747	16,187,841
Personnel Salaries and Benefits				
Principal and office salaries	662,352	742,786	1,405,138	986,564
Teacher salaries	2,973,679	1,424,510	4,398,189	4,023,028
Assistant teacher salaries and aides	260,708	332,340	593,048	693,347
Before and after care salaries	-	-	-	-
Food service salaries	116,832	91,121	207,953	225,357
Facilities salaries	171,464	103,939	275,403	285,049
Fringe benefits	549,937	360,873	910,810	829,854
Payroll taxes	327,009	213,739	540,748	495,585
Total Personnel, Salaries and Benefits	5,061,981	3,269,308	8,331,289	7,538,784
Direct Student Costs				
Textbooks and textbook depreciation	83,557	22,799	106,356	176,338
Classroom supplies	25,629	19,733	45,362	164,789
Contracted instructional/student services	188,529	131,442	319,971	347,804
Computer support and supplies	51,642	13,180	64,822	73,758
Student assessment materials	16,148	6,509	22,657	17,358
Food service costs	348,723	153,340	502,063	414,295
Professional development costs	151,852	26,532	178,384	166,097
Classroom furniture/fixture rental	-	-	-	8,550
Student activity expenses	92,116	16,336	108,452	67,652
Field trips and parental involvement costs	62,306	11,474	73,780	75,855
Nursing supplies	1,248	-	1,248	338
Total Direct Student Costs	1,021,750	401,345	1,423,095	1,512,834

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Supplemental Schedule of Revenue and Expenses by Campus For the Year Ended June 30, 2017, with Comparative Totals for 2016

	2017			2016 Total
	Tolson	Lamond	Total	
Occupancy Costs				
Rent	\$ 1,352,521	\$ 1,570,394	\$ 2,922,915	\$ 2,866,282
Utilities	142,056	101,264	243,320	194,661
Repairs and maintenance	131,551	22,806	154,357	128,752
Custodian service	18,811	32,978	51,789	56,539
Other occupancy costs	13,232	6,062	19,294	27,515
Total Occupancy Costs	1,658,171	1,733,504	3,391,675	3,273,749
Office Expenses				
Office supplies and materials	51,483	7,883	59,366	116,284
Telecommunications	16,425	14,933	31,358	35,277
Staff meetings and meals	35,162	9,782	44,944	34,179
Printing and publications	29,310	17,305	46,615	41,370
Postage and shipping	3,699	2,109	5,808	6,773
Marketing and promotion	29,837	18,426	48,263	40,835
Total Office Expenses	165,916	70,438	236,354	274,718
General Expenses				
Insurance	67,881	70,547	138,428	135,659
Management fees and support fees	1,345,777	756,448	2,102,225	1,934,611
Start up development allocation	30,000	30,000	60,000	60,000
Charter administration fee	115,476	62,220	177,696	158,003
Board expenses	6,373	600	6,973	12,742
Professional services	57,051	36,895	93,946	97,808
Depreciation	119,221	49,108	168,329	174,446
Bad debt expense	-	17,956	17,956	-
Total General Expenses	1,741,779	1,023,774	2,765,553	2,573,269
Total Expenses	9,649,597	6,498,369	16,147,966	15,173,354
Change in Net Assets	\$ 1,562,936	\$ (188,155)	\$ 1,374,781	\$ 1,014,487

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Supplemental Schedule of Functional Expenses For the Year Ended June 30, 2017, with Comparative Totals for 2016

	2017			2016
	Educational Services	General and Administrative	Total	
Personnel Salaries and Benefits				
Principal and office salaries	\$ 1,124,110	\$ 281,028	\$ 1,405,138	\$ 986,564
Teacher salaries	4,398,189	-	4,398,189	4,023,028
Assistant teacher salaries and aides	593,048	-	593,048	693,347
Food service salaries	207,953	-	207,953	225,357
Facilities salaries	220,322	55,081	275,403	285,049
Fringe benefits	865,269	45,541	910,810	829,854
Payroll taxes	513,711	27,037	540,748	495,585
Total Personnel Salaries and Benefits	7,922,602	408,687	8,331,289	7,538,784
Direct Student Costs				
Textbooks and textbook depreciation	106,356	-	106,356	176,338
Classroom supplies	45,362	-	45,362	164,789
Contracted instructional/student services	319,971	-	319,971	347,804
Computer support and supplies	64,822	-	64,822	73,758
Student assessment materials	22,657	-	22,657	17,358
Food service costs	502,063	-	502,063	414,295
Professional development costs	178,384	-	178,384	166,097
Classroom furniture/fixture rental	-	-	-	8,550
Student activity expenses	108,452	-	108,452	67,652
Field trips and parental involvement costs	73,780	-	73,780	75,855
Nursing supplies	1,248	-	1,248	338
Total Direct Student Costs	1,423,095	-	1,423,095	1,512,834
Occupancy Costs				
Rent	2,776,769	146,146	2,922,915	2,866,282
Utilities	231,154	12,166	243,320	194,661
Repairs and maintenance	146,639	7,718	154,357	128,752
Custodian service	49,200	2,589	51,789	56,539
Other occupancy costs	18,329	965	19,294	27,515
Total Occupancy Costs	3,222,091	169,584	3,391,675	3,273,749
Office Expenses				
Office supplies and materials	29,683	29,683	59,366	116,284
Telecommunications	15,679	15,679	31,358	35,277
Staff meetings and meals	22,472	22,472	44,944	34,179
Printing and publications	23,307	23,308	46,615	41,370
Postage and shipping	2,904	2,904	5,808	6,773
Marketing and promotion	24,131	24,132	48,263	40,835
Total Office Expenses	118,176	118,178	236,354	274,718
General Expenses				
Insurance	131,507	6,921	138,428	135,659
Management fees and support fees	-	2,102,225	2,102,225	1,934,611
Start up development allocation	-	60,000	60,000	60,000
Charter administration fee	177,696	-	177,696	158,003
Board expenses	-	6,973	6,973	12,742
Professional services	46,973	46,973	93,946	97,808
Depreciation	159,913	8,416	168,329	174,446
Bad debt expense	-	17,956	17,956	-
Total General Expenses	516,089	2,249,464	2,765,553	2,573,269
Total Expenses	\$ 13,202,053	\$ 2,945,913	\$ 16,147,966	\$ 15,173,354

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Supplemental Schedule of Functional Expenses For the Year Ended June 30, 2016

	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel Salaries and Benefits			
Principal and office salaries	\$ 789,251	\$ 197,313	\$ 986,564
Teacher salaries	4,023,028	-	4,023,028
Assistant teacher salaries and aides	693,347	-	693,347
Food service salaries	225,357	-	225,357
Facilities salaries	228,039	57,010	285,049
Fringe benefits	796,660	33,194	829,854
Payroll taxes	475,762	19,823	495,585
Total Personnel Salaries and Benefits	<u>7,231,444</u>	<u>307,340</u>	<u>7,538,784</u>
Direct Student Costs			
Textbooks and textbook depreciation	176,338	-	176,338
Classroom supplies	164,789	-	164,789
Contracted instructional/student services	347,804	-	347,804
Computer support and supplies	73,758	-	73,758
Student assessment materials	17,358	-	17,358
Food service costs	414,295	-	414,295
Professional development costs	166,097	-	166,097
Classroom furniture/fixture rental	8,550	-	8,550
Student activity expenses	67,652	-	67,652
Field trips and parental involvement costs	75,855	-	75,855
Nursing supplies	338	-	338
Total Direct Student Costs	<u>1,512,834</u>	<u>-</u>	<u>1,512,834</u>
Occupancy Costs			
Rent	2,722,968	143,314	2,866,282
Utilities	184,928	9,733	194,661
Repairs and maintenance	122,314	6,438	128,752
Custodian service	53,712	2,827	56,539
Other occupancy costs	26,139	1,376	27,515
Total Occupancy Costs	<u>3,110,061</u>	<u>163,688</u>	<u>3,273,749</u>
Office Expenses			
Office supplies and materials	58,142	58,142	116,284
Telecommunications	17,638	17,639	35,277
Staff meetings and meals	17,089	17,090	34,179
Printing and publications	20,685	20,685	41,370
Postage and shipping	3,386	3,387	6,773
Marketing and promotion	20,417	20,418	40,835
Total Office Expenses	<u>137,357</u>	<u>137,361</u>	<u>274,718</u>
General Expenses			
Insurance	130,233	5,426	135,659
Management fees and support fees	-	1,934,611	1,934,611
Start up development allocation	-	60,000	60,000
Charter administration fee	158,003	-	158,003
Board expenses	-	12,742	12,742
Professional services	48,904	48,904	97,808
Depreciation	167,468	6,978	174,446
Total General Expenses	<u>504,608</u>	<u>2,068,661</u>	<u>2,573,269</u>
Total Expenses	<u>\$ 12,496,304</u>	<u>\$ 2,677,050</u>	<u>\$ 15,173,354</u>



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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, 2017, 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 January 12, 2018.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of finding and questioned costs to be a material weakness (2017-001).



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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*.

The School's Response to Findings

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

Washington, DC
January 15, 2018



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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 School'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 each of the School's major Federal programs for the year ended June 30, 2017. The School's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of current year 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 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 the 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.



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, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of current year findings and questioned costs as item 2017-002. Our opinion on each major Federal program is not modified with respect to this matter.

The School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of current year findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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



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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002, which we consider to be a significant deficiency.

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.

Washington, DC
January 15, 2018

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IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Total Federal Expenditures
U.S. Department of Education			
<u>Pass-through from D.C. Public Schools</u>			
Title I Grants to Local Education Agencies	84.010A	Unknown	\$ 355,161
Improving Teacher Quality State Grants	84.367A	Unknown	141,368
Title III Part A	84.031A	Unknown	<u>14,526</u>
Total U.S. Department of Education			<u>511,055</u>
U.S. Department of Agriculture			
<u>Pass-through from D.C. Public Schools</u>			
National School Lunch Program (NSLP)	10.555	Unknown	<u>443,403</u>
Total Federal Expenditures			<u>\$ 954,458</u>

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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Imagine Hope Community Charter School, Inc., Imagine Hope Community Charter Schools (the School) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant program noted below. The program on the schedule of expenditures of Federal awards represents all Federal award programs with fiscal year 2016, cash or non-cash expenditure activities. For single audit testing, we tested to ensure coverage of at least 25% of Federally granted funds. Actual coverage is 46%. The major program tested is listed below.

Expenditures reported on the schedule of expenditures of Federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Major Program</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Federal Expenditures</u>
National School Lunch Program (NSLP)	10.555	Unknown	\$ 443,403

2. Basis of Presentation

The accompanying Schedule includes the Federal award activity of the School and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards*.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Schedule of Current Year Findings and Questioned Costs
For the Year Ended June 30, 2017**

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?	Yes
Significant deficiency(ies) identified?	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?	Reported
Audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	Yes

Identification of Major Program:

Major Program	Federal CFDA Number	Pass Through Number	Federal Expenditures
National School Lunch Program (NSLP)	10.555	Unknown	\$ 443,403

Dollar threshold used to determine Type A and B programs \$ 750,000

Is the School qualified as a low risk auditee? Yes

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Schedule of Current Year Findings and Questioned Costs
For the Year Ended June 30, 2017**

Section II – Financial Statement Findings

Refer to finding 2017-001.

Section III – Federal Award Findings

Refer to finding 2017-002.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Schedule of Current Year Findings and Questioned Costs For the Year Ended June 30, 2017

Finding: 2017-001

All programs

Type of Finding – Material Weakness over Financial Reporting

Repeat Finding: Yes

Criteria

Per the Uniform Guidance, the School must maintain an adequate system of internal control over financial reporting in order to initiate, authorize, record, process and report financial data reliably in accordance with generally accepted accounting principles.

Condition

During our audit, we identified several key accounts that had not been reviewed as of June 30, 2017. As a result, the financial statements as of and for the year ended June 30, 2017, required additional time and analysis before the financial statements could be finalized and available for issuance.

Cause

The School does not have adequate internal controls over financial reporting in place to ensure the review and analysis for certain key accounts on a timely basis.

Effect

The delay in completing account analysis for the financial statement accounts could allow for misstatements, errors and irregularities to go undetected. Also, accurate financial information was not available to make management decisions.

Recommendation

We recommend the School continue to reinforce its processes and procedures to ensure reconciliations and account analysis are completed and renewed by appropriate supervisory personnel. The School should ensure accurate interim and year-end financial statements. Accurate financial information is vital to make management decisions that impact the School.

Questioned Costs

Unknown.

Responsible Official's Response and Corrective Action Plan

We will update our financial processes and procedures to ensure that reconciliations and account analysis are completed and reviewed by the Regional Finance Director monthly. Exceptions will be discussed and remedied. Of particular importance is the following: a detailed by vendor analysis and aging of accounts payable, a detailed analysis and aging of all receivables (in particular grant receivables), detailed reporting for each fundraising activity, analysis and detail of the due to/due from accounts, and the tracking of fixed asset acquisitions and the detail of accumulated depreciation. Bank reconciliations are now being accomplished monthly. We will implement this process beginning with the January monthly reports. There are existing monthly meetings of the

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Schedule of Current Year Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding: 2017-001 (Continued)

Responsible Official's Response and Corrective Action Plan (continued)

Board Finance Team and associated reporting. As a result of this finding a formal set of financial statements will be prepared each quarter. These reports will include a statement of financial position, a statement of activities and changes in net assets, a statement of cash flows and a statement of functional expenses. It is believed this quarterly reporting will greatly facilitate audit readiness.

Planned Implementation Date of Corrective Action

January 2018

Person Responsible for Corrective Action

Regional Finance Director

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Schedule of Current Year Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding 2017-002

**United States Department of Agriculture
CFDA No. 10.555 – National School Lunch Program**

Type of Finding – Noncompliance and Significant Deficiency over Activities Allowed or Unallowed and Allowable Cost Principles and Period of Availability

Repeat Finding: No

Criteria

Uniform Grant Guidance requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The characteristics of internal control are presented in the context of the components of internal control discussed in Internal Control-Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

2 CFR part 200 states that for a cost to be allowable under an award, the cost must be adequately documented. Costs must also conform to any limitations or exclusions set-forth in the award agreement.

Condition

During our audit, we noted that for three (3) out of three (3) monthly invoices selected for testing, there was no evidence of approval.

Cause

The School did not have controls in place to sufficiently document evidence of approved charged to Federal programs.

Effect

The possibility exists that the School is not in compliance with the activities allowed or unallowed and allowable cost/cost principles requirements and period of performance.

Recommendation

We recommend the implementation of a policy to document the review of all invoices, either by sign-offs of authorized personnel or in the form of electronic/ e-mail correspondence, in order to provide evidence that expenses and disbursements are properly approved by the appropriate person.

Questioned Costs

Unknown.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

**Schedule of Current Year Findings and Questioned Costs
For the Year Ended June 30, 2017**

Finding 2017-002 (continued)

Responsible Official's Response and Corrective Action Plan

All documented policies and procedures for our respective financial processes will be reviewed and updated immediately. This work will be re-activated and needs to be completed and coordinated with the Board Treasurer and will be supplemented by quarterly reviews. A confirmation package will be forwarded to the school leaders upon completion.

Planned Implementation Date of Corrective Action

February 2018

Person Responsible for Corrective Action

Regional Finance Director

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2017

Reference Number: 2016-001

Type of Finding – Significant Deficiency over Financial Reporting

Criteria

Per the Uniform Guidance, the School must maintain an adequate system of internal control over financial reporting in order to initiate, authorize, record, process and report financial data reliably in accordance with generally accepted accounting principles.

Condition

During our audit, we identified several key accounts that had not been reconciled as of June 30, 2016. As a result, the financial statements as of and for the year ended June 30, 2016, required significant adjustments and additional time and analysis before the financial statements could be finalized and available for issuance.

Cause

The School does not have adequate internal controls over financial reporting in place to ensure the review and analysis for certain key accounts on a timely basis.

Effect

The delay in completing account analysis for the financial statement accounts could allow for misstatements, errors and irregularities to go undetected. Also, accurate financial information was not available to make management decisions.

Recommendation

We recommend the School continue to reinforce its processes and procedures to ensure reconciliations and account analysis are completed and renewed by appropriate supervisory personnel. The School should ensure accurate interim and year-end financial statements. Accurate financial information is vital to make management decisions that impact the School.

Questioned Costs

Unknown.

Corrective Action Plan and Management's Response

We will update our financial processes and procedures to ensure that reconciliations and account analysis are completed and reviewed by the Regional Finance Director monthly. Exceptions will be discussed and remedied. All documented policies and procedures for our respective financial processes will be reviewed and updated immediately. The processes will be supplemented by quarterly internal reviews. A confirmation package will be forwarded to the school leaders upon completion.

Current Year Status

See 2017-001.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2017

Reference Number: 2016-002

**United States Department of Agriculture
CFDA No. 10.555 – National School Lunch Program**

Type of Finding – Noncompliance and Control Deficiency over Cash Management and Reporting

Criteria

To receive reimbursement payments for meals (and milk served under the Special Milk Program for Children), a School Food Authority (SFA), institution, or sponsor must submit claims for reimbursement to its administering agency (7 CFR sections 210.8(b), 225.9(d), and 225.15(c)(2)). The claiming process is as follows:

At a minimum, a claim must include the number of reimbursable meals/milk served by category and type during the period (generally a month) covered by the claim. All meals claimed for reimbursement must (a) be of types authorized by the SFA's, institution's, or sponsor's administering agency; (b) be served to eligible children; and (c) be supported by accurate meal counts and records indicating the number of meals served by category and type (7 CFR sections 210.7(c), 210.8(c), and 225.9(d)).

Under the School Nutrition Program, the following types of service may be authorized for schools participating in these programs: breakfast, lunch, afterschool snack (if the school operates an afterschool care program), and milk (under the SMP). All claims must be supported by accurate meal counts by category and type taken at the point of service or developed through an approved alternative procedure (7 CFR sections 210.7(c), 210.8(b), 215.8, 215.10, 220.9, and 220.11)

Condition

During our audit, we noted that for one (1) out of three (3) Reimbursement Claim Forms tested the number of reduced and paid lunches were improperly reported.

Cause

The School did not properly reconcile the Reimbursement Claim Form to the Meal Time Monthly Sales Summary.

Effect

The School was overpaid.

IMAGINE HOPE COMMUNITY CHARTER SCHOOL

Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2017

Reference Number: 2016-002 (continued)

Recommendation

We recommend that the client have a second individual review the reconciliation of the Reimbursement Claim Form to the Meal Time Monthly Sales Summary.

Questioned Costs

Unknown.

Corrective Action Plan and Management's Response

In order to ensure that the School's Claim submittals are properly submitted for reimbursement by the Business Assistant, the Business Manager will serve as an additional reviewer to ensure that the reconciliation of the Reimbursement Claim form to the Meal Time Monthly Sales Summary are correct. A confirmation package will be then forwarded to the School leaders as confirmation that the review has been completed.

Current Year Status

Based on the testing performed during the 2017 audit, the School has a process in place to reconcile the reimbursement claim form to the Meal Time Monthly Sales Summary.