

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2020 AND 2019**

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## Independent Auditor's Report

To the Board of Directors  
Academy of Hope Adult Public Charter School  
Washington, DC

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

We have audited the accompanying financial statements of Academy of Hope Adult Public Charter School, a non-profit organization, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **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. 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 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 Academy of Hope Adult Public Charter School as of June 30, 2020 and 2019, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of Academy of Hope Adult Public Charter 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 Academy of Hope Adult Public Charter School's internal control over financial reporting and compliance.

**Other Matters**

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 23-24, as required by D.C. Public Charter School Board ("DCPCSB"), are the responsibility of management, and are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Emphasis of Matter**

As discussed in Note B to the financial statements, in 2020, Academy of Hope Adult Public Charter School adopted new accounting guidance, Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, and ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Jane Marston & McQuade PA*

Washington, DC  
November 23, 2020

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,364,019	\$ 1,100,528
Accounts receivable	3,667	21,744
Grants receivable	608,838	142,162
Prepaid expenses	72,306	58,386
Total Current Assets	3,048,830	1,322,820
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	5,565,406	5,338,582
Deposits	169,108	169,108
Total Non-Current Assets	5,734,514	5,507,690
<b>TOTAL ASSETS</b>	<b>\$ 8,783,344</b>	<b>\$ 6,830,510</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 165,243	\$ 214,496
Accrued expenses	249,875	192,763
Deferred revenue	-	273
Deposits	-	2,260
Line of credit	82,809	82,809
Capital lease obligation, current portion	28,936	14,448
Notes payable, current portion	3,902,281	66,986
Total Current Liabilities	4,429,144	574,035
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligation, net of current portion	78,652	46,178
Notes payable, net of current portion	15,576	3,895,041
Total Long-Term Liabilities	94,228	3,941,219
Total Liabilities	4,523,372	4,515,254
<b>NET ASSETS</b>		
Without donor restrictions	3,290,249	1,980,423
With donor restrictions	969,723	334,833
Total Net Assets	4,259,972	2,315,256
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,783,344</b>	<b>\$ 6,830,510</b>

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

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 4,769,754	\$ -	\$ 4,769,754
Per pupil facility allowance	1,607,470	-	1,607,470
Federal and local government grants	775,367	-	775,367
Paycheck protection program grant	857,400	-	857,400
Contributions and other grants	541,408	1,134,242	1,675,650
Rental income	273	-	273
Interest	1,757	-	1,757
In-kind contributions	11,783	-	11,783
Loss on disposal of assets	(1,701)	-	(1,701)
Program and other income	37,504	-	37,504
Net assets released from restrictions	499,352	(499,352)	-
Total Revenue and Support	<u>9,100,367</u>	<u>634,890</u>	<u>9,735,257</u>
<b>EXPENSES</b>			
Educational services	5,540,051	-	5,540,051
Support services:			
Management and general	1,559,108	-	1,559,108
Fundraising	691,382	-	691,382
Total Support Services	<u>2,250,490</u>	<u>-</u>	<u>2,250,490</u>
Total Expenses	<u>7,790,541</u>	<u>-</u>	<u>7,790,541</u>
<b>CHANGE IN NET ASSETS</b>	1,309,826	634,890	1,944,716
<b>NET ASSETS, beginning of year</b>	<u>1,980,423</u>	<u>334,833</u>	<u>2,315,256</u>
<b>NET ASSETS, end of year</b>	<u>\$ 3,290,249</u>	<u>\$ 969,723</u>	<u>\$ 4,259,972</u>

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

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 4,372,871	\$ -	\$ 4,372,871
Per pupil facility allowance	1,504,243	-	1,504,243
Federal and local government grants	577,110	-	577,110
Contributions and other grants	468,613	398,800	867,413
Rental income	23,934	-	23,934
Interest	2,147	-	2,147
In-kind contributions	2,126	-	2,126
Program and other income	2,359	-	2,359
Net assets released from restrictions	158,967	(158,967)	-
Total Revenue and Support	<u>7,112,370</u>	<u>239,833</u>	<u>7,352,203</u>
<b>EXPENSES</b>			
Educational services	5,600,989	-	5,600,989
Support services:			
Management and general	932,203	-	932,203
Fundraising	491,834	-	491,834
Total Support Services	<u>1,424,037</u>	<u>-</u>	<u>1,424,037</u>
Total Expenses	<u>7,025,026</u>	<u>-</u>	<u>7,025,026</u>
<b>CHANGE IN NET ASSETS</b>	87,344	239,833	327,177
<b>NET ASSETS, beginning of year</b>	<u>1,893,079</u>	<u>95,000</u>	<u>1,988,079</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 1,980,423</u></u>	<u><u>\$ 334,833</u></u>	<u><u>\$ 2,315,256</u></u>

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

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	Educational Services	Support Services		Total Expenses
		Management and General	Fundraising	
<b>Personnel Costs</b>				
Salaries	\$ 3,212,399	\$ 562,996	\$ 368,885	\$ 4,144,280
Payroll taxes	278,286	48,770	31,956	359,012
Employee benefits	453,989	79,564	52,132	585,685
<b>Total Personnel Costs</b>	<u>3,944,674</u>	<u>691,330</u>	<u>452,973</u>	<u>5,088,977</u>
<b>Direct Student Costs</b>				
Recruitment	20,281	-	-	20,281
Assessment materials/program evaluation	1,023	-	-	1,023
Student assistance	50,020	-	-	50,020
Contracted instruction fees	541,906	-	-	541,906
Educational supplies and textbooks	74,481	-	-	74,481
Student events	33,337	-	-	33,337
<b>Total Direct Student Costs</b>	<u>721,048</u>	<u>-</u>	<u>-</u>	<u>721,048</u>
<b>Occupancy</b>				
Rent	112,965	19,798	12,972	145,735
Contracted building services	149,661	26,229	17,186	193,076
Depreciation and amortization	216,816	38,000	24,897	279,713
Maintenance and repairs	38,473	6,743	4,418	49,634
Interest	142,974	25,057	16,418	184,449
Utilities	120,039	14,512	13,785	148,336
Janitorial	5,058	887	581	6,526
<b>Total Occupancy Expense</b>	<u>785,986</u>	<u>131,226</u>	<u>90,257</u>	<u>1,007,469</u>
<b>Office Expense</b>				
Dues, subscriptions, and fees	6,001	18,202	812	25,015
Office equipment rental and maintenance	77	27,408	-	27,485
Supplies and materials	14,670	44,266	148	59,084
Printing and postage	1,943	1,323	6,725	9,991
Telephone/communication	-	56,230	61	56,291
<b>Total Office Expense</b>	<u>22,691</u>	<u>147,429</u>	<u>7,746</u>	<u>177,866</u>
<b>General Expenses</b>				
Authorizer fee	-	64,603	-	64,603
Fundraising fees	-	-	136,089	136,089
Professional fees	56,459	492,182	3,300	551,941
Insurance	-	23,096	-	23,096
Recruiting	8,287	1,452	952	10,691
Miscellaneous	906	7,790	65	8,761
<b>Total General Expenses</b>	<u>65,652</u>	<u>589,123</u>	<u>140,406</u>	<u>795,181</u>
<b>Total Expenses</b>	<u>\$ 5,540,051</u>	<u>\$ 1,559,108</u>	<u>\$ 691,382</u>	<u>\$ 7,790,541</u>

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

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	Educational Services	Support Services		Total Expenses
		Management and General	Fundraising	
<b>Personnel Costs</b>				
Salaries	\$ 2,798,662	\$ 438,888	\$ 223,623	\$ 3,461,173
Payroll taxes	229,104	36,337	18,493	283,934
Employee benefits	416,638	59,726	33,440	509,804
<b>Total Personnel Costs</b>	<b>3,444,404</b>	<b>534,951</b>	<b>275,556</b>	<b>4,254,911</b>
<b>Direct Student Costs</b>				
Recruitment	20,001	-	-	20,001
Assessment materials/program evaluation	24,282	-	-	24,282
Student assistance	67,174	-	-	67,174
Contracted instruction fees	586,946	-	-	586,946
Educational supplies and textbooks	56,686	-	-	56,686
Student events	49,643	-	-	49,643
<b>Total Direct Student Costs</b>	<b>804,732</b>	<b>-</b>	<b>-</b>	<b>804,732</b>
<b>Occupancy</b>				
Rent	251,483	39,439	20,094	311,016
Contracted building services	127,476	19,990	10,186	157,652
Depreciation and amortization	198,627	31,149	15,871	245,647
Maintenance and repairs	75,857	11,896	6,061	93,814
Interest	150,063	23,532	11,991	185,586
Utilities	125,276	19,646	10,010	154,932
<b>Total Occupancy Expense</b>	<b>928,782</b>	<b>145,652</b>	<b>74,213</b>	<b>1,148,647</b>
<b>Office Expenses</b>				
Dues, subscriptions, and fees	17,993	21,671	4,436	44,100
Office equipment rental and maintenance	44,383	6,961	3,546	54,890
Supplies and materials	47,938	5,914	3,406	57,258
Printing and postage	852	119	14,658	15,629
Telephone/communication	45,921	7,201	4,246	57,368
<b>Total Office Expense</b>	<b>157,087</b>	<b>41,866</b>	<b>30,292</b>	<b>229,245</b>
<b>General Expenses</b>				
Authorizer fee	-	57,705	-	57,705
Fundraising contract staff	-	-	94,112	94,112
Professional fees	242,170	148,852	15,437	406,459
Insurance	14,130	2,216	1,129	17,475
Recruiting	4,672	733	373	5,778
Miscellaneous	5,012	228	722	5,962
<b>Total General Expenses</b>	<b>265,984</b>	<b>209,734</b>	<b>111,773</b>	<b>587,491</b>
<b>Total Expenses</b>	<b>\$ 5,600,989</b>	<b>\$ 932,203</b>	<b>\$ 491,834</b>	<b>\$ 7,025,026</b>

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

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,944,716	\$ 327,177
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	279,713	245,647
Amortization of debt issuance costs	22,971	22,971
Loss on disposal of property and equipment	1,701	-
Decrease (increase) in operating assets:		
Accounts receivable	18,077	18,549
Grants receivable	(466,676)	161,330
Prepaid expenses	(13,920)	(38,996)
Deposits	-	(155,069)
Increase (decrease) in operating liabilities:		
Accounts payable	(49,253)	65,268
Accrued expenses	57,112	(42,143)
Deferred revenue	(273)	(335)
Deposits	(2,260)	-
Net Cash Provided by Operating Activities	1,791,908	604,399
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(433,642)	(270,649)
Net Cash Used by Investing Activities	(433,642)	(270,649)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(67,141)	(59,392)
Proceeds from note payable	-	65,732
Principal payments on capital leases	(27,634)	(15,113)
Net Cash Used by Financing Activities	(94,775)	(8,773)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,263,491	324,977
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	1,100,528	775,551
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 2,364,019	\$ 1,100,528
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 161,478	\$ 162,615
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</b>		
Acquisition of equipment under capital lease	\$ 74,595	\$ 71,755
Termination of capital lease and return of equipment	\$ -	\$ 13,200

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

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE A – NATURE OF ORGANIZATION**

Academy of Hope Adult Public Charter School (“AOH”) was incorporated on May 30, 1990 as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”), as determined in an exemption letter dated September 12, 1991. Contributions to AOH are tax-deductible, within the limits described by the Code.

On June 24, 2014, AOH entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board to operate at two facilities. During December 2016, the District of Columbia Public Charter School Board approved an amendment to AOH’s charter to operate at these two facilities.

AOH’s mission is to provide high quality education and services that change lives and improve our communities. At the heart of AOH’s programs are core academic classes that range from beginning literacy skills through preparation for a secondary credential (High School Diploma Program) to college preparation and dual enrollment with a local college. AOH supplements these classes with computer literacy, career development and case management services. Our career development program includes courses for Hospitality, Certified Nursing Assistant, Office Administration, and certifications (IC3, Food Handlers, and Customer Service), as well career exploration, job search assistance.

Each year AOH serves over 600 adults in the District of Columbia, 18 years old to 65 and older, who want to earn a high school credential or who need to improve their basic skills to qualify for job training or further education. AOH is supported by a combination of public charter school funding, donations and grants from foundations, corporations, individuals, government grants, and program service fees.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

AOH’s financial statements are maintained on the accrual basis of accounting. Therefore, revenues and related assets are recognized when earned, and expenses and related liabilities are recognized as obligations are incurred.

Adoption of New Accounting Pronouncement

For the year ended June 30, 2020, AOH adopted the FASB Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, as amended, which supersedes or replaces nearly all Generally Accepted Accounting Principles (“GAAP”) revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. AOH has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Adoption of New Accounting Pronouncement – (continued)

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. AOH has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with AOH's implementation of ASU 2018-08.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Financial Statements of *Not-For-Profit* organizations. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of AOH and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations.

*Net Assets with Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Academy of Hope Adult Public Charter School and/or the passage of time or that must be maintained permanently by Academy of Hope Adult Public Charter School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, AOH considers all highly liquid funds, including money market accounts purchased with original maturities of three months or less, to be cash equivalents.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts or grants is necessary based upon review of outstanding receivables, historical collection information and existing economic conditions. As of June 30, 2020 and 2019, management believes all accounts and grants receivable are collectible, therefore no allowance for doubtful accounts or grants has been established.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Property and Equipment

Property and equipment valued in excess of \$1,000 are capitalized and recorded at cost, if purchased, and estimated fair value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from 2 to 39 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Leasehold improvements are amortized over the lesser of their useful life or the lease term. Repairs and maintenance are charged to expense when incurred.

Debt Issuance Costs

Costs incurred in securing debt have been capitalized and are reported in the statements of financial position as a direct reduction from the related debt liability. These costs are amortized over the remaining period of debt as interest expense using the straight-line method, which approximates the effective interest method.

Revenue Recognition

*Grants and Contributions*

The School recognize grants and contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

During the year ending June 30, 2020, the School received a Payroll Protection Program (“PPP”) loan. The US Small Business Administration (“SBA”) set terms around this loan which allowed PPP borrowers the ability to qualify to have the loans forgiven if the proceeds are used to pay certain eligible costs. Since at the time of receipt of the funds the School expected that they would meet the standards for forgiveness, it treated this funding as a conditional promise to give. As of June 30, 2020, management has made the determination that all conditions set by the SBA have been met, and therefore recognizable as grant revenue during the year.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Revenue Recognition – continued

*Per Pupil Appropriations, Facilities Allowance, and Federal Entitlements, and Other Government Grants*

Revenues are received primarily from state and federal government agencies, including the District of Columbia Office of the State Superintendent of Education, District of Columbia Public Charter School Board, the U.S. Department of Education, and other agencies. These revenues are considered conditional grants with a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend have been substantially met. These grants are also subject to audit by the grantor agencies, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. There were no Per pupil appropriations for enhancements, such as special education, at-risk students and English language learners, for the years ended June 30, 2020 and 2019.

As of June 30, 2020, the School received a conditional promise to give in the amount of \$4,713 that is expected to be fulfilled within the year following the School's 2020 year-end.

*Program Service Fees*

Program service fees are revenue primarily derived from before and after-care programs, paid meal plans, and various student activities (e.g., fieldtrips, intramural sports, special events, etc.), which is recognized when the services are provided.

*Rental Revenue*

Rental revenue is recognized at the time of service or in the period in which the event has occurred. Amounts received in advance are recorded as deferred revenue.

In-kind Contributions

In-kind contributions are recorded at fair value of the services or items received. AOH recognizes in-kind contributions that create or enhance non-financial assets or require specialized skills and are provided by individuals who possess those skills and would typically need to be purchased if not provided by donation.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Method Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or a supporting function such as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office and occupancy costs, salaries and benefits, and other general organizational costs which are allocated on the basis of time worked.

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 certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**NOTE C – INCOME TAX**

AOH qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, AOH is classified as an entity that is not a private foundation under Section 509(a) (1).

AOH believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

AOH's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. AOH's information returns for the years ended June 30, 2017 through 2019 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY**

AOH regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to prudently invest available funds. AOH's sources of liquidity at its disposal include cash and cash equivalents and receivables.

In addition to financial assets available to meet general expenditures over the next 12 months,

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY** - continued

AOH operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The following reflects AOH’s financial assets as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,364,019	\$ 1,100,528
Current receivable	612,505	163,906
Total Financial Assets	<u>2,976,524</u>	<u>1,264,434</u>
Encumbered net assets with donor restrictions for the next one year	<u>(969,723)</u>	<u>(334,833)</u>
Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,006,801</u>	<u>\$ 929,601</u>

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,660,000	\$ 1,660,000
Building	3,498,380	3,480,373
Construction in progress	167,785	33,825
Furniture and equipment	867,334	582,942
Leasehold improvements	220,378	220,378
Leased equipment	146,350	82,273
Vehicle	<u>61,162</u>	<u>68,031</u>
	6,621,389	6,127,822
Less: accumulated depreciation and amortization	<u>(1,055,983)</u>	<u>(789,240)</u>
Property and Equipment, Net	<u>\$ 5,565,406</u>	<u>\$ 5,338,582</u>

Construction in progress included renovation, construction, and building improvements projects as of June 30, 2020. Depreciation and amortization expense of property and equipment for the years ended June 30, 2020 and 2019 totaled \$279,713 and \$245,647, respectively. Included in this was amortization expense on capital leased equipment totaling \$18,209 and \$15,188 for the years ended June 30, 2020 and 2019, respectively.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE F – CAPITAL LEASES**

During 2019, AOH entered into an agreement for six new copiers. In connection with the new copier lease the vendor repaid the remaining obligation on the terminated lease and returned the equipment. The net book value of the equipment and the remaining recorded balance of the lease obligation were substantially equal at approximately \$13,200. This is considered a noncash transaction for purposes of the statement of cash flows. During 2020, AOH negotiated a new lease agreement for a copier. These leases are set to expire in 2024 and 2025, respectively.

Leased assets are capitalized at a combined cost of \$146,350 and \$82,273 as of June 30, 2020 and 2019, respectively. Capital lease obligations totaled \$107,588 and \$60,626, as of June 30, 2020 and 2019, respectively.

Minimum future lease payments under capital leases are due as follows for the years ending June 30:

2021	\$ 30,606
2022	30,606
2023	30,606
2024	18,101
2025	<u>1,300</u>
Net minimum lease payments	111,219
Amount representing interest	<u>(3,631)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 107,588</u></u>

**NOTE G – NOTE PAYABLE AND LINES OF CREDIT**

Term Note

In April 2016, AOH obtained a \$4,140,000 term note from PNC Bank (the “Bank”) to acquire property. The note is secured by AOH’s property. The note initially bore interest at the Bank’s prime rate from April 15, 2016 through January 1, 2017. During this period, interest only was due and payable monthly. On January 1, 2017, AOH entered into an agreement to convert the note to a fixed interest rate and shall bear interest at a rate per annum equal to the rate as then offered by the Bank. The effective interest rate for the period of January 1, 2017 through July 31, 2017 was 1.812% per annum, in accordance with the terms of the agreement. Commencing on August 1, 2017 and continuing on the 1<sup>st</sup> day of each month thereafter, principal and interest, at a fixed rate of 3.81% per annum, shall be payable in equal monthly installments in an amount sufficient to amortize the outstanding principal over a 25 year term. The note is scheduled to mature April 15, 2021, with a balloon payment of \$3,842,045 due at maturity. The outstanding balance on the note totaled \$3,889,534 and \$3,944,854, respectively as of June 30, 2020 and 2019.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE G – NOTE PAYABLE AND LINES OF CREDIT – continued**

Debt covenants contain certain restrictive, financial, and non-financial covenants. In the opinion of management, AOH has complied with the required covenants.

In October 2018, AOH obtained a \$65,731 note payable in acquisition of a 2018 Ford Shuttle bus from tcf Equipment Finance. Commencing on November 2, 2018 and continuing on the 2<sup>nd</sup> day of each month thereafter, principal and interest, at a fixed rate of 7.56% per annum, shall be payable in equal monthly installments in an amount sufficient to amortize the outstanding principal over a 5-year term. The note is scheduled to mature October 2, 2023. The outstanding balance on the note totaled \$46,509 and \$58,331, respectively as of June 30, 2020 and 2019.

Long-term debt as of June 30, consisted of the following:

	<u>2020</u>	<u>2019</u>
Note payable - Property	\$ 3,889,534	\$ 3,944,854
Note payable - Vehicle	46,509	58,330
Total Debt	<u>3,936,043</u>	<u>4,003,184</u>
Less: current installments	(3,902,281)	(66,986)
Less: debt issuance costs, net of accumulated amortization	<u>(18,186)</u>	<u>(41,157)</u>
Notes Payable, Net	<u><u>\$ 15,576</u></u>	<u><u>\$ 3,895,041</u></u>

Debt issuance costs and accumulated amortization are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Debt issuance costs	\$ 114,857	\$ 114,857
Less accumulated amortization	<u>(96,671)</u>	<u>(73,700)</u>
Debt Issuance Costs, Net	<u><u>\$ 18,186</u></u>	<u><u>\$ 41,157</u></u>

Interest of \$184,449 and \$185,586, including amortization of debt issuance cost of \$22,971 and \$22,971 was expensed for the years ended June 30, 2020 and 2019, respectively.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE G – NOTE PAYABLE AND LINES OF CREDIT – continued**

Future principal payments on the notes are due as follows for the years ending June 30:

2021		\$ 3,902,281
2022		13,745
2023		14,821
2024		5,196
Total		\$ 3,936,043

Lines of Credit

As part of the term note above, AOH obtained a \$500,000 committed revolving line of credit from PNC bank to be used for AOH’s property renovations on the building located at 2315 18<sup>th</sup> Place NE, Washington, DC. The line of credit expires April 15, 2021, and accrues interest at PNC’s prime rate per annum, which was 3.25% and 5.50% per annum as of June 30, 2020 and 2019, respectively. Principal and interest payments are due quarterly. The outstanding balance on the line of credit was \$82,809 and \$82,809, respectively as of June 30, 2020 and 2019.

AOH also has an additional \$200,000 line of credit with PNC that also expires July 14, 2021 and bears interest at PNC’s prime rate per annum, which was 3.25% and 5.50% per annum as of June 30, 2020 and 2019, respectively. There were no outstanding balances on this line of credit as of June 30, 2020 and 2019, respectively.

AOH had a \$350,000 unsecured line of credit with Capital One Bank with an annual interest rate of prime plus 1.8% per annum, which was 5.05% and 7.3% as of June 30, 2020 and 2019, respectively. The line of credit expires April 16, 2021. There were no outstanding balances on this line of credit as of June 30, 2020 and 2019, respectively.

**NOTE H – IN-KIND CONTRIBUTIONS**

Individuals and other groups contribute substantial amounts of materials and services to support the mission of AOH. To the extent that contributions of materials made are objectively measurable and represent program or support expenditures that would otherwise be incurred by AOH, they would be reflected in both public support and program expense in the accompanying financial statements. With respect to donated services and materials, AOH recorded contributions and corresponding assets for the fair value totaling \$11,783 and \$2,126, respectively for the years ended June 30, 2020 and 2019.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE I – CONCENTRATIONS OF RISK**

AOH is supported primarily through local government grants. For the years ended June 30, 2020 and 2019, 66% and 80%, respectively, of total revenue and support was provided by one government agency. Reduction of this source of support would have a significant impact on the school's programs and activities.

AOH maintains its cash in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. AOH's cash routinely exceeds the FDIC limit. Management does not believe AOH is exposed to any significant credit risk on its cash and cash equivalents.

**NOTE J – OPERATING LEASES**

AOH subleases office space from an unrelated private party located at 421 Alabama Avenue, SE in Washington, DC. The sublease agreement which previously called for monthly rent of \$19,016 was modified on June 30, 2018 and expires on January 31, 2035. Monthly rental payments under this sublease, based upon 16,066 square feet, are \$26,107 for the first year, with 2.5% annual increases for the remainder of the lease term. Commencing on July 1, 2021, the subleased property will expand to include 8,093 square feet of additional space on the third floor of the building.

As part of the lease amendment AOH has agreed to complete \$1,800,000 of renovations to the additional space, \$1,200,000 to be completed by August 31, 2022 with the entire project completed by June 30, 2027. AOH is required to report progress on the renovations including invoices to the landlord beginning October 1, 2019. As compensation for these renovations AOH will receive rent abatements beginning in July 2019 through 2027 at the rate of \$16,667 a month or \$200,000 a year during 2020 through 2025 and \$25,000 a month or \$300,000 during 2026 and 2027. To the extent that renovation costs through June 30, 2027 do not reach \$1,800,000 AOH will be required to repay the abatements to the extent of the shortfall.

As part of the lease amendment the security deposit was increased from \$13,909 to \$169,108 upon completion of the renovations the security deposit will be reduced by \$42,277.

Total rent expense for the years ended June 30, 2020 and 2019 totaled \$145,735 and \$311,016, respectively.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE J – OPERATING LEASES – continued**

Following is a schedule of future minimum payments, net of abatements, required under the above operating lease for the remaining lease term for years ending June 30:

2021	\$ 129,147
2022	307,324
2023	320,007
2024	333,007
2025	346,332
2026 and thereafter	<u>5,673,787</u>
Total	<u><u>\$7,109,604</u></u>

AOH leased office space to an unrelated private party under an agreement that commenced on February 9, 2017, and expired July 5, 2019, and was not renewed. Rental income was \$273 and \$23,934 for the years ended June 30, 2020 and 2019, respectively.

**NOTE K – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2020 and 2019, were restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Career support	\$ 47,235	\$ 30,000
Clark foundation to build capacity	725,000	-
Ford foundation partnership event	10,689	5,000
Grocery Card Drive	2,600	-
Hope market analysis	-	25,000
Professional Development support	850	-
Race equity framework	-	5,967
Renovation project	4,040	-
Strategic planning and student information system	51,637	243,866
Technology upgrades	50,172	25,000
Time restricted	70,000	-
Volunteer	7,500	-
Total	<u><u>\$ 969,723</u></u>	<u><u>\$ 334,833</u></u>

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE L – RETIREMENT PLAN**

AOH established a 403(b) defined contribution retirement plan (the “Plan”). Employees are eligible to participate in the Plan after three consecutive months of services. AOH matches 1% to 5% of employee contributions of up to 6% of their salary depending on the employee’s years of service. AOH contributed \$83,065 and \$58,560 the years ended June 30, 2020 and 2019, respectively.

**NOTE M – SUBSEQUENT EVENTS**

In preparing these financial statements, AOH’s management has evaluated events and transactions for potential recognition or disclosure through November 23, 2020, which is the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation of subsequent events that required recognition or additional disclosure.



**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors  
Academy of Hope Adult Public Charter School  
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Academy of Hope Adult Public Charter School ("AOH"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of financial statements, we considered AOH'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 for expressing an opinion on the effectiveness of AOH's internal control. Accordingly, we do not express an opinion on the effectiveness of AOH'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 over financial reporting 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 financial reporting 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 not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether AOH'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 and 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 AOH's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AOH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jane Mauer & McQuade PA*

Washington, DC  
November 23, 2020

**SUPPLEMENTAL SCHEDULES**

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL  
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000  
YEAR ENDED JUNE 30, 2020**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Amount Paid</u>
5601 East Capitol LLC	Rent	\$29,574
Benefits Mall	Dental, life, & disability insurance	57,267
Building for Mission	Professional development services	26,500
Centric Telecom, Inc	Telephone service	35,672
Clarity Benefit Solutions	Health spending account contributions	39,694
Community IT Innovators	IT support	155,165
D. McBride Office Solutions	Contracted instruction services	29,105
DC Health Link	Health insurance	353,281
DC Water and Sewer Authority	Water	34,323
Dell Marketing L.P.	Computers and equipment	124,055
EdOps	Financial services	83,600
Ford & Harrison LLP	Legal services	41,404
Intentional Interpreting LLC	Contracted special education services	29,403
KIPP DC	Rent	121,119
Kristoffer Haines (Ampersand Education, LLC)	Strategic consulting	48,206
LGC Security LLC	Security services	56,936
Lookthink	Student information system design, & development services	131,550
Lynn English Consulting, Inc	Grant writing	57,600
Matthew O'Hara	Contracted special education services	51,640
Pepco	Electricity	82,882
PMM Companies	Janitorial service	127,770
PNC Bank	Loan & line of credit interest	157,210
Principal Life	Retirement contributions	86,401
Staples	Supplies	28,790
Stoiber & Associates PC	Architecture and design services	133,960
The Hartford	Insurance	32,871
The Webster Group, Inc.	Event management, fundraising & production services	42,176

Note: The above schedule includes all vendors/contractors paid equal to or greater than \$25,000 for which either a formal contract was executed or no formal contract was entered into, executed or negotiated.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL  
SUPPLEMENTAL SCHEDULE OF AWARDED VENDOR CONTRACTS OVER \$25,000  
YEAR ENDED JUNE 30, 2020**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Approximate</u>
LookThink	Student information system design, & development services	Over \$25,000
The Webster Group	Event management, fundraising & production services	Over \$25,000

Note: The above schedule includes only those contracts entered into by the School as of June 30, 2020 for services that will amount to more than \$25,000 over the term of the contract, services have not begun, nor had anything been paid as of June 30, 2020.