

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

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

JUNE 30, 2021 AND 2020

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR’S REPORT	1 - 3
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statement of Activities, Year Ended June 30, 2021	5
Statement of Activities, Year Ended June 30, 2020	6
Statement of Functional Expenses, Year Ended June 30, 2021	7
Statement of Functional Expenses, Year Ended June 30, 2020	8
Statements of Cash Flows	9
Notes to the Financial Statements	10 - 21
SUPPLEMENTARY SCHEDULE REQUIRED BY DCPCSB	
Supplementary Schedule Of Vendor Contracts Awarded Equal To and/or Over \$25,000, Year Ended June 30, 2021	22
REPORTS AND SCHEDULES REQUIRED BY THE UNIFORM GUIDANCE	
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 <i>Government Auditing Standards</i>	23 - 24
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	25 - 27
Schedule of Expenditures of Federal Awards, Year Ended June 30, 2021	28
Notes to the Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30 - 32
Corrective Action Plan by Management	33

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, 2021 and 2020, 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Academy of Hope Adult Public Charter School as of June 30, 2021 and 2020, 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

Other Information


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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, 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 solely 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 the effectiveness of Academy of Hope Adult Public Charter School's 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedule of vendor contracts awarded equal to and/or paid over \$25,000, on page 22, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, appearing to read "JM & M". The letters are cursive and connected.

Washington, DC
November 30, 2021

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,696,092	\$ 2,364,019
Grants receivable	355,112	608,838
Accounts receivable	96,889	3,667
Prepaid expenses	71,427	72,306
Total Current Assets	3,219,520	3,048,830
NON-CURRENT ASSETS		
Property and equipment, net	6,868,316	5,565,406
Deposits	169,108	169,108
Total Non-Current Assets	7,037,424	5,734,514
TOTAL ASSETS	\$ 10,256,944	\$ 8,783,344
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 473,391	\$ 165,243
Accrued expenses	262,159	249,875
Line of credit	-	82,809
Capital lease obligation, current portion	14,559	28,936
Notes payable, current portion	154,159	3,902,281
Total Current Liabilities	904,268	4,429,144
LONG-TERM LIABILITIES		
Deferred rent liability	245,021	-
Capital lease obligation, net of current portion	17,315	78,652
Notes payable, net of current portion	3,803,632	15,576
Total Long-Term Liabilities	4,065,968	94,228
Total Liabilities	4,970,236	4,523,372
NET ASSETS		
Without donor restrictions	4,677,900	3,290,249
With donor restrictions	608,808	969,723
Total Net Assets	5,286,708	4,259,972
TOTAL LIABILITIES AND NET ASSETS	\$ 10,256,944	\$ 8,783,344

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 5,183,939	\$ -	\$ 5,183,939
Per pupil facility allowance	1,755,120	-	1,755,120
Federal entitlements and grants	931,213	-	931,213
State and local grants	315,783	-	315,783
Grants and contributions	359,222	398,937	758,159
Interest	97	-	97
In-kind contributions	310	-	310
Program and other income	2,558	-	2,558
Loss on disposal of property and equipment	(9,899)	-	(9,899)
Net assets released from restrictions	759,852	(759,852)	-
Total Revenue and Support	9,298,195	(360,915)	8,937,280
EXPENSES			
Program Services:			
Educational services	5,077,189	-	5,077,189
Support Services:			
Management and general	2,133,140	-	2,133,140
Fundraising	700,215	-	700,215
Total Support Services	2,833,355	-	2,833,355
Total Expenses	7,910,544	-	7,910,544
CHANGE IN NET ASSETS	1,387,651	(360,915)	1,026,736
NET ASSETS, beginning of year	3,290,249	969,723	4,259,972
NET ASSETS, end of year	\$ 4,677,900	\$ 608,808	\$ 5,286,708

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
REVENUE AND SUPPORT			
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
Program and other income	37,504	-	37,504
Loss on disposal of property and equipment	(1,701)	-	(1,701)
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>
EXPENSES			
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>
CHANGE IN NET ASSETS	1,309,826	634,890	1,944,716
NET ASSETS, beginning of year	<u>1,980,423</u>	<u>334,833</u>	<u>2,315,256</u>
NET ASSETS, end of year	<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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Educational Services</u>	<u>Management and General</u>	<u>Support Services</u>		<u>Total Expenses</u>
			<u>Fundraising</u>	<u>Total Support Services</u>	
Personnel Costs					
Salaries	\$ 3,014,832	\$ 820,367	\$ 407,799	\$ 1,228,166	\$ 4,242,998
Payroll taxes	259,137	70,514	35,052	105,566	364,703
Employee benefits	432,778	117,764	58,539	176,303	609,081
Total Personnel Costs	<u>3,706,747</u>	<u>1,008,645</u>	<u>501,390</u>	<u>1,510,035</u>	<u>5,216,782</u>
				-	
Direct Student Costs					
Recruitment	25,688	-	-	-	25,688
Assessment materials/program evaluation	6,818	-	-	-	6,818
Student assistance	54,910	-	-	-	54,910
Contracted instruction fees	378,802	-	-	-	378,802
Educational supplies and textbooks	44,091	-	-	-	44,091
Student events	21,604	-	-	-	21,604
Total Direct Student Costs	<u>531,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,913</u>
Occupancy					
Rent	151,855	201,773	20,540	222,313	374,168
Contracted building services	152,474	41,490	20,624	62,114	214,588
Depreciation and amortization	238,018	64,768	32,195	96,963	334,981
Maintenance and repairs	32,063	8,724	4,337	13,061	45,124
Interest and loan amortization costs	122,705	33,388	16,598	49,986	172,691
Utilities	58,522	15,924	7,916	23,840	82,362
Janitorial	6,215	1,691	841	2,532	8,747
Total Occupancy Expense	<u>761,852</u>	<u>367,758</u>	<u>103,051</u>	<u>470,809</u>	<u>1,232,661</u>
Office Expense					
Dues, subscriptions, and fees	4,050	17,855	7,294	25,149	29,199
Office equipment rental and maintenance	-	11,110	-	11,110	11,110
Supplies and materials	5,437	22,968	274	23,242	28,679
Printing and postage	566	1,565	6,419	7,984	8,550
Telephone/communication	-	92,484	1,203	93,687	93,687
Total Office Expense	<u>10,053</u>	<u>145,982</u>	<u>15,190</u>	<u>161,172</u>	<u>171,225</u>
General Expenses					
Authorizer fee	-	70,686	-	70,686	70,686
Fundraising fees	-	-	78,044	78,044	78,044
In-kind goods	-	-	310	310	310
Professional fees	57,674	512,752	1,167	513,919	571,593
Insurance	-	21,908	-	21,908	21,908
Recruiting	7,859	2,139	1,063	3,202	11,061
Miscellaneous	1,091	3,270	-	3,270	4,361
Total General Expenses	<u>66,624</u>	<u>610,755</u>	<u>80,584</u>	<u>691,339</u>	<u>757,963</u>
Total Expenses	<u>\$ 5,077,189</u>	<u>\$ 2,133,140</u>	<u>\$ 700,215</u>	<u>\$ 2,833,355</u>	<u>\$ 7,910,544</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 Support Services	Total Expenses
		Management and General	Fundraising		
Personnel Costs					
Salaries	\$ 3,212,399	\$ 562,996	\$ 368,885	\$ 931,881	\$ 4,144,280
Payroll taxes	278,286	48,770	31,956	80,726	359,012
Employee benefits	453,989	79,564	52,132	131,696	585,685
Total Personnel Costs	<u>3,944,674</u>	<u>691,330</u>	<u>452,973</u>	<u>1,144,303</u>	<u>5,088,977</u>
Direct Student Costs					
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
Total Direct Student Costs	<u>721,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>721,048</u>
Occupancy					
Rent	112,965	19,798	12,972	32,770	145,735
Contracted building services	149,661	26,229	17,186	43,415	193,076
Depreciation and amortization	216,816	38,000	24,897	62,897	279,713
Maintenance and repairs	38,473	6,743	4,418	11,161	49,634
Interest and loan amortization costs	142,974	25,057	16,418	41,475	184,449
Utilities	120,039	14,512	13,785	28,297	148,336
Janitorial	5,058	887	581	1,468	6,526
Total Occupancy Expense	<u>785,986</u>	<u>131,226</u>	<u>90,257</u>	<u>221,483</u>	<u>1,007,469</u>
Office Expenses					
Dues, subscriptions, and fees	6,001	18,202	812	19,014	25,015
Office equipment rental and maintenance	77	27,408	-	27,408	27,485
Supplies and materials	14,670	44,266	148	44,414	59,084
Printing and postage	1,943	1,323	6,725	8,048	9,991
Telephone/communication	-	56,230	61	56,291	56,291
Total Office Expense	<u>22,691</u>	<u>147,429</u>	<u>7,746</u>	<u>155,175</u>	<u>177,866</u>
General Expenses					
Authorizer fee	-	64,603	-	64,603	64,603
Fundraising contract staff	-	-	136,089	136,089	136,089
Professional fees	56,459	492,182	3,300	495,482	551,941
Insurance	-	23,096	-	23,096	23,096
Recruiting	8,287	1,452	952	2,404	10,691
Miscellaneous	906	7,790	65	7,855	8,761
Total General Expenses	<u>65,652</u>	<u>589,123</u>	<u>140,406</u>	<u>729,529</u>	<u>795,181</u>
Total Expenses	<u>\$ 5,540,051</u>	<u>\$ 1,559,108</u>	<u>\$ 691,382</u>	<u>\$ 2,250,490</u>	<u>\$ 7,790,541</u>

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, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,026,736	\$ 1,944,716
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	334,981	279,713
Amortization of debt issuance costs	19,585	22,971
Loss on disposal of property and equipment	9,899	1,701
Decrease (increase) in operating assets:		
Accounts receivable	(93,222)	18,077
Grants receivable	253,726	(466,676)
Prepaid expenses	879	(13,920)
Increase (decrease) in operating liabilities:		
Accounts payable	308,148	(49,253)
Accrued expenses	12,284	57,112
Deferred revenue	-	(273)
Deferred rent	245,021	
Deposits	-	(2,260)
Net Cash Provided by Operating Activities	2,118,037	1,791,908
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,709,199)	(433,642)
Net Cash Used by Investing Activities	(1,709,199)	(433,642)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(3,924,365)	(67,141)
Proceeds from notes payable	3,989,500	-
Principal payments on line of credit	(82,809)	-
Debt issuance costs incurred	(44,787)	-
Principal payments on capital leases	(14,304)	(27,634)
Net Cash Used by Financing Activities	(76,765)	(94,775)
NET CHANGE IN CASH AND CASH EQUIVALENTS	332,073	1,263,491
CASH AND CASH EQUIVALENTS, beginning of year	2,364,019	1,100,528
CASH AND CASH EQUIVALENTS, end of year	\$ 2,696,092	\$ 2,364,019
SUPPLEMENTARY INFORMATION		
Cash paid for interest	\$ 153,106	\$ 161,478
SUPPLEMENTARY DISCLOSURE OF NONCASH INFORMATION		
Acquisition of equipment under capital lease	\$ -	\$ 74,595
Termination of capital lease	\$ 74,595	\$ -

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, 2021 AND 2020**

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 communities of which it serves. 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. AOH’s career development program includes courses for Hospitality, Certified Nursing Assistant, Office Administration, and various certifications (e.g., IC3, Food Handlers, and Customer Service, etc.), as well career exploration, job search assistance.

Each year, AOH serves over 600 adults in the District of Columbia, 18 years old through ages 65 and older, who want to earn a high school diploma 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, and government agencies as well as 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.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-For-Profit Entities*. In accordance with Topic 958, 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.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial Statement Presentation – continued

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of AOH and/or the passage of time or that must be maintained in perpetuity by AOH. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, AOH considers interest-bearing savings accounts, money market funds, and all highly liquid funds purchased with original maturities of three months or less, to be cash equivalents.

Accounts and Grants Receivable

Grants receivable primarily consist of amounts due from the District of Columbia Office of Public Charter School Financing and Support for state and federal grant programs, whose ability to pay are subject to appropriations. Accounts receivable are related to program service fees and are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Receivables are stated at the amount management expects to collect from outstanding balances. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment valued in excess of \$1,000 are capitalized and recorded at cost, if purchased, and estimated at fair value, if donated. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which ranges from two to thirty-nine 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 gains or losses are 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.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Rent

Rent expense is recognized in a straight-line basis over the term of the lease for which the space was available. Deferred rent represents rent expense in excess of cash payments since commencement of the lease agreement and other incentive provided by the landlord. Rent abatement and any other incentive are deferred over the period of the lease term from the time the space is made available to the School.

Revenue Recognition

Per Pupil Appropriations, Per Pupil Facility Allowance and Federal Entitlements and Grants and State and Local 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 statements 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, 2021 and 2020.

For the years ended June 30, 2021 and 2020, AOH received conditional promises to give in the amounts of \$482,335 and \$4,713, respectively, which is expected to be fulfilled within the year following AOH's fiscal year-end.

Grants and Contributions

AOH recognizes 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.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition – continued

Paycheck Protection Program Grant

During the year ended June 30, 2020, the School received a Paycheck 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 were 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 made the determination that all conditions set by the SBA have been met, and therefore, recognizable as grant revenue during the year

Program and Other Income

Program and other income is income primarily derived from credit card reward points, and student fees.

In-kind Contributions

In-kind contributions are recorded at fair value of the services or materials 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.

Method Used for Allocation of Expenses

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 expense and occupancy, which are allocated on the basis of salaries and related costs determined by the amount of time and effort expended.

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.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(continued)

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, 2018 through 2020, 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, AOH anticipates collecting sufficient revenue to cover general expenditures. The following reflects AOH’s financial assets as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,696,092	\$ 2,364,019
Grants receivable	355,112	608,838
Accounts receivable	<u>96,889</u>	<u>3,667</u>
Total Financial Assets	3,148,093	2,976,524
Encumbered net assets with donor restrictions for the next one year	<u>(608,808)</u>	<u>(969,723)</u>
Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,539,285</u>	<u>\$ 2,006,801</u>

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(continued)

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2021 and 2020:

	2021	2020
Land	\$ 1,660,000	\$ 1,660,000
Building	3,498,380	3,498,380
Construction in progress	1,452,342	167,785
Furniture and equipment	1,023,605	867,334
Leasehold improvements	227,056	220,378
Leased equipment	71,755	146,350
Vehicle	61,162	61,162
	7,994,300	6,621,389
Less: accumulated depreciation and amortization	(1,125,984)	(1,055,983)
Property and Equipment, Net	\$ 6,868,316	\$ 5,565,406

During the fiscal year 2021, AOH disposed of property and equipment with a total cost of \$336,288, of which \$264,980 was fully amortized and/or depreciated. As of June 30, 2021, construction in progress includes building renovations and improvements. Depreciation and amortization expense of property and equipment for the years ended June 30, 2021 and 2020 totaled \$334,981 and \$279,713, respectively. Included in this was depreciation expense on capital leased equipment totaling \$14,351 and \$18,209, for the years ended June 30, 2021 and 2020, respectively.

NOTE F – CAPITAL LEASES

In 2019, AOH entered into a capital lease agreement for six new copiers for a combined cost of \$71,755. The lease is scheduled to expire in 2025.

In 2020, AOH negotiated the terms of a lease agreement for another copier; however, during the fiscal year 2021, the terms of this lease were renegotiated, resulting in the conditions required under a capital lease arrangement to no longer be applicable.

Leased assets are capitalized at a combined cost of \$71,755 and \$146,350 as of June 30, 2021 and 2020, respectively. Capital lease obligations totaled \$31,874 and \$107,588, as of June 30, 2021 and 2020, respectively.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(continued)

NOTE F – CAPITAL LEASES - continued

The future minimum lease payments under the capital leased equipment for the years ending June 30 are as follows:

2022	\$ 15,006
2023	15,006
2025	<u>2,501</u>
Net minimum lease payments	32,513
Amount representing interest	<u>(639)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 31,874</u></u>

NOTE G – NOTES 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 payments were due and payable monthly. On January 1, 2017, AOH entered into an agreement to convert the note to a fixed interest 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 first day of each month thereafter, principal and interest, at a fixed rate of 3.81% per annum, were payable in equal monthly installments based on a 25 year amortization schedule. The note was scheduled to mature on April 15, 2021, with a balloon payment due in the amount of \$3,842,045. However, the loan was refinanced on March 31, 2021.

On March 31, 2021, AOH entered into an amended and restated loan with the Bank in the amount of \$3,989,500. This new loan agreement combined the remaining balance of the initial loan of \$3,842,045, included the outstanding balance of \$82,089 on the previous convertible line of credit of \$500,000, and provided additional funds for operating purposes. Commencing on May 3, 2021, and continuing on the first day of each month thereafter, principal and interest, at a fixed rate of 3.55% per annum, shall be payable in equal monthly installments based on an amortization schedule of eight years. The refinanced loan is scheduled to mature on March 30, 2029, with a balloon payment due in the amount of \$2,745,415.

The outstanding balance on the note totaled \$3,967,418 and \$3,889,534, respectively as of June 30, 2021 and 2020.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(continued)

NOTE G – NOTES PAYABLE AND LINES OF CREDIT – continued

The above described debt agreements contain certain restrictive, financial, and non-financial covenants. In the opinion of management, the School has complied with the required covenants for the years ended June 30, 2021 and 2020.

In October 2018, AOH obtained a \$65,731 note payable for the acquisition of a 2018 Ford Shuttle bus from a financing institution. Commencing on November 2, 2018, and continuing on the second day of each month thereafter, principal and interest, at a fixed rate of 7.56% per annum, shall be payable in equal monthly installments over a period of five years. The note is scheduled to mature on October 2, 2023. As of June 30, 2021 and 2020, the outstanding balance on the note totaled \$33,761 and \$46,509, respectively.

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

	<u>2021</u>	<u>2020</u>
Note payable - property	\$ 3,967,418	\$ 3,889,534
Note payable - vehicle	33,761	46,509
Total Notes Payable	<u>4,001,179</u>	<u>3,936,043</u>
Less: current installments	(154,159)	(3,902,281)
Less: debt issuance costs, net of accumulated amortization	<u>(43,388)</u>	<u>(18,186)</u>
Notes Payable, Net	<u><u>\$ 3,803,632</u></u>	<u><u>\$ 15,576</u></u>

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

	<u>2021</u>	<u>2020</u>
Debt issuance costs	\$ 44,787	\$ 114,857
Less: accumulated amortization	<u>(1,399)</u>	<u>(96,671)</u>
Debt Issuance Costs, Net	<u><u>\$ 43,388</u></u>	<u><u>\$ 18,186</u></u>

Interest of \$172,691 and \$184,449, including amortization of debt issuance cost of \$19,585 and \$22,971 was expensed for the years ended June 30, 2021 and 2020, respectively.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(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:

2022	\$	154,159
2023		160,299
2024		155,569
2025		156,149
2026		161,781
2027 and thereafter		3,213,222
Total		\$ 4,001,179

Lines of Credit

As part of the original term note above, AOH had obtained a \$500,000 committed revolving line of credit from the Bank to be used for AOH’s property renovations on the building located at 2315 18th Place NE, Washington, DC. The line of credit expired on March 31, 2021, and a new convertible line of credit in the amount of \$270,000, replaced the old line along with the new loan agreement, with a new expiration date of March 30, 2029. The line of credit accrues interest at the Bank’s prime rate per annum minus twenty-five basis points, which was 4.75% and 3.25% per annum as of June 30, 2021 and 2020, respectively. Principal and interest payments are due quarterly. As of June 30, 2021 and 2020, the outstanding balance on the line of credit was \$0 and \$82,809, respectively.

AOH also has an additional \$200,000 line of credit with the Bank that also expires March 30, 2022, and bears interest at PNC’s prime rate, which was 3.25% per annum as of June 30, 2021 and 2020. There were no outstanding balances on this line of credit as of June 30, 2021 and 2020.

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% as of June 30, 2021 and 2020. The line of credit expires on April 16, 2022. There were no outstanding balances on this line of credit as of June 30, 2021 and 2020.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(continued)

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 in-kind contributions and corresponding assets for the fair value totaling \$310 and \$11,783, respectively for the years ended June 30, 2021 and 2020, which consisted of educational materials.

NOTE I – CONCENTRATIONS OF RISK

AOH is dependent on funding from the District of Columbia as authorized by the District of Columbia Charter School Board. For each of the years ended June 30, 2021 and 2020, approximately 88% and 66%, respectively, of total revenue was provided from the District of Columbia. Reduction of this source of support would have a significant impact on AOH's programs and activities.

AOH maintains its cash and cash equivalents in several financial institutions. The cash and cash equivalents balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. AOH's cash and cash equivalents 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 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 an annual increase of 2.5% 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 in renovations to the additional space, of which \$1,200,000 is to be completed by August 31, 2022. The entire project is expected to be completed by June 30, 2027. AOH was required to report progress on the renovations including invoices to the landlord beginning on 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 per month or \$200,000 annually, for the years 2020 through 2025; and \$25,000 per month or \$300,000 annually, for the years 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.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(continued)

NOTE J – OPERATING LEASES – continued

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

Total rent expense for the years ended June 30, 2021 and 2020, was \$374,168 and \$145,735, respectively.

The 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:

2022	\$ 307,324
2023	320,007
2024	333,007
2025	346,332
2026	259,990
2027 and thereafter	<u>5,122,400</u>
Total	<u>\$ 6,689,060</u>

AOH subleased 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 \$0 and \$273, for the years ended June 30, 2021 and 2020, respectively.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020
(continued)

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020, were restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Career support	\$ -	\$ 47,235
Clark foundation to build capacity	565,808	725,000
DEI - Building for Mission	23,500	-
Ford foundation partnership event	-	10,689
Grocery Card Drive	-	2,600
Professional Development support	-	850
Renovation project	-	4,040
Strategic planning and student information system	-	51,637
Technology upgrades	-	50,172
Time restricted	19,500	70,000
Volunteer	-	7,500
Total	<u>\$ 608,808</u>	<u>\$ 969,723</u>

NOTE L – RETIREMENT PLAN

AOH established The Academy of Hope Adult PCS 403(b) Plan (the “Plan”). Employees are eligible to participate in the Plan immediately upon hire, however, will need to wait after the completion of three months of services to qualify for the employer match. AOH matches 1% to 5% of employee contributions of up to 6%, of their salary depending on the employee’s years of service. Pension expense totaled \$93,650 and \$83,065 the years ended June 30, 2021 and 2020, 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 30, 2021, 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.

**SUPPLEMENTARY SCHEDULE
REQUIRED BY DCPCSB**

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
SUPPLEMENTARY SCHEDULE OF VENDOR CONTRACTS AWARDED EQUAL TO AND/OR OVER \$25,000
UNAUDITED
YEAR ENDED JUNE 30, 2021

Award Date	Effective Date	Vendor Name	Goods or Services	Contractual Amount	Actual Amount Spent During FYE 6/30/21	Conflict of Interest (Indicate "YES" or "NO")
7/15/2014	3/11/2019	KIPP DC	Rent	\$ 10,000,000	\$ 131,606	No
6/15/2018	7/1/2018	Stoiber & Associates PC	Contracting services	25,186	58,712	No
7/1/2018	4/14/2020	DC Water and Sewer Authority	Water	125,000	31,473	No
11/1/2018	11/20/2018	Centric Telecom, Inc.	Telephone & telecommunications	35,000	32,203	No
2/21/2019	3/7/2019	DC Health Link	Health insurance	257,048	61,824	No
2/25/2019	3/11/2019	Benefits Mall	Dental, life, & disability Insurance	75,000	431,416	No
9/1/2019	10/1/2019	Lynn English Consulting, Inc.	Grant writing	N/A	54,000	No
3/10/2020	7/1/2020	Lookthink	Student information system design, & development services	140,000	91,613	No
6/15/2020	7/1/2020	Clarity Benefit Solutions	Health spending account contributions	N/A	29,474	No
6/15/2020	7/1/2020	LGC Security LLC	Security services	N/A	30,626	No
6/15/2020	6/30/2020	Pepco	Electricity	125,000	65,763	No
6/15/2020	6/30/2020	PMM Companies	Janitorial service	166,400	114,912	No
6/15/2020	7/1/2020	Principal Life	Retirement contributions	N/A	98,463	No
6/15/2020	7/1/2020	The Hartford	Insurance	N/A	33,897	No
6/15/2020	7/1/2020	T-Mobile	Telephone & telecommunications	31,200	59,281	No
7/1/2020	7/15/2020	EdOps	Financial services	82,500	88,500	No
7/15/2020	7/31/2020	R&R Mechanical, Inc.	Contracting services	39,000	37,162	No
10/1/2020	10/19/2020	Community IT Innovators	IT support	150,000	227,831	No
10/14/2020	12/2/2020	Doyle Construction Company	Contracting services	1,200,000	1,205,938	No
1/15/2021	2/1/2021	D. McBride Office Solutions	Contracted instruction services	42,000	43,685	No
2/1/2021	3/1/2021	Busy Bee Environmental Service	Contracting services	130,000	78,452	No
2/1/2021	2/15/2021	CDW Government	Computers and equipment	50,000	45,416	No
2/18/2021	3/4/2021	Dell Marketing L.P.	Computers and equipment	31,000	280,738	No
N/A	7/1/2020	Ford & Harrison LLP	Legal services	N/A	33,549	No
N/A	9/19/2017	PNC Bank	Loan & line of credit interest	N/A	150,066	No
N/A	N/A	Amazon	Supplies	N/A	32,462	No
N/A	N/A	DC Public Charter School Board	Authorizer fee	N/A	70,686	No

NOTE: The above schedule includes all vendors/contractors for which either a formal contract was entered into, executed or negotiated, whether or not services were provided during the fiscal year ended June 30, 2021.

REPORTS AND SCHEDULES REQUIRED

BY THE UNIFORM GUIDANCE

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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of financial statements, we considered Academy of Hope Adult Public Charter School's internal control over financial reporting (internal control) as a basis for designing 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 Academy of Hope Adult Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Academy of Hope Adult Public Charter School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Academy of Hope Adult Public Charter 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Academy of Hope Adult Public Charter 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 Academy of Hope Adult Public Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Washington, DC
November 30, 2021

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Academy of Hope Adult Public Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Academy of Hope Adult Public Charter School's major federal programs for the year ended June 30, 2021. Academy of Hope Adult Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Academy of Hope Adult Public Charter 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* 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 Academy of Hope Adult Public Charter 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 Academy of Hope Adult Public Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, Academy of Hope Adult Public Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-01. Our opinion on each major federal program is not modified with respect to these matters.

Academy of Hope Adult Public Charter School's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Academy of Hope Adult Public Charter 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 Academy of Hope Adult Public Charter 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 Academy of Hope Adult Public Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 Academy of Hope Adult Public Charter School's internal control over compliance.

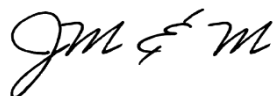
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Report on Internal Control Over Compliance – continued

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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-01 that we consider to be a significant deficiency.

Academy of Hope Adult Public Charter School's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Academy of Hope Adult Public Charter 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.

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
November 30, 2021

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Grant Identification Number</u>	<u>Total Federal Expenditures</u>
U. S. Department of Education			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
DC Opportunity Scholarship Program	84.370C	84.370C 92002A, A2002A & B2002A	\$ 823,137
Adult Education - Basic Grants to States	84.002A		<u>108,076</u>
Total U.S. Department of Education			<u>931,213</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 931,213</u></u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Academy of Hope Adult Public Charter School under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Academy of Hope Adult Public Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Academy of Hope Adult Public Charter School.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

Academy of Hope Adult Public Charter School elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors report issued on the financial statements	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes

Major programs

Name of Federal Program:	DC Opportunity Scholarship Program
Assistance Listing Number:	84.370C
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021
(continued)**

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None Noted

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding No 2021-01: Procurement Suspension & Debarment (I)

Title DC Opportunity Scholarship Program

Assistance listing Number 84.370C

Name of Federal Agency U. S. Department of Education

Pass-through Agency District of Columbia Office of the State Superintendent of Education (“OSSE”)

Condition: As a part of the Uniform Guidance Compliance testing, we requested evidence of open bids and procurement processes and approvals for contractors that were paid using federal funds.

Criteria: Federally sponsored programs require that federal funds be expended only after the nonfederal entity conducts all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR section 200.319 for goods and services. It is the grantee’s responsibility to make every effort to award any contract(s) under a process where maximum competition is achieved in order to obtain the most reasonable price.

Cause: The reason why Academy of Hope Adult Public Charter School did not bid out this contract was because this was an ongoing contract from the previous year. The donor of a grant, from which this vendor had been paid in the previous year, had stipulated that only this specific vendor be used for the architectural design of the School building. During the current year, Academy of Hope Adult Public Charter School continued to use this vendor and paid them with federal funds without adhering to the procurement and bidding process as required by the criteria noted above.

ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021
(continued)

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS - continued

Finding No 2021-01: Procurement Suspension & Debarment (I) - continued

Effect: Failing to provide the support documents required as part of the audit process, management was not able to verify that expenditures charged against the federal award were allowable and in compliance with the grant agreement. As a result, there is a possibility that the government agency could perform an audit of the federal funds in order to determine whether or not any of the expenditures were disallowed, and therefore, request that the funds be returned.

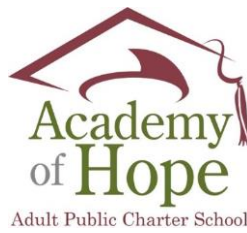
Context and Questioned Costs: Our audit procedures detected that of the seven samples selected for testing with an approximate total value of \$507,000, from a population of \$507,000, \$31,656 or 6% of the contractual costs could not be backed up with procurement related support documents. The lack of control procedures over the procurement and bidding process for federal expenditures reimbursed to vendors whose contract exceeded \$25,000, is a compliance finding and noted as a significant deficiency. Question costs totaled \$31,656.

Recommendations: We recommend that management implement a system for bidding out contracts over \$25,000 for services that are to be submitted for reimbursement.

Views of Responsible Officials
and Planned Corrective Actions: See Corrective Action Plan

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

None Noted



ACTION PLAN

Since joining AoH in January of 2021, we have worked diligently to ensure compliance with PCSB and federal grant requirements. To that end, we consulted directly with DCPCSB and EdOps to ensure our Finance and Ops team have a full understanding of contracting requirements. We implemented more stringent RFP contracts requirements and now bid out any work we anticipate *may* exceed \$25K, even if the initial contract is not for that amount. Further, we contracted with EdOps in September of 2021 to conduct a thorough, federal grants compliance workshop for all finance staff and grants managers. With the recent Stoiber information, we have identified the need to review any continuing contracts (prior to my arrival) to ensure they meet all federal grant requirements.

Tiffany Godbout

Tiffany Godbout

Chief Operations Officer