

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**

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

**For the Years Ended June 30, 2022 and 2021**

**JUNE 30, 2022 AND 2021**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Directors of the  
Academy of Hope Adult Public Charter School

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

#### ***Opinion***

We have audited the financial statements of Academy of Hope Adult Public Charter School (the School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the auditing standards established pursuant to the District of Columbia School Reform Act, Public Law No. 104-134, 110 Stat. 1321-121, 2204(c)(11)(B)(ix)(1996); D.C. Official Code 38-1802.04(ii)(B)(2001, as amended). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Other Matter***

The financial statements of the School as of and for the year ended June 30, 2021 were audited by another auditor, who expressed an unmodified opinion on those statements dated November 30, 2021.

#### ***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 School's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

(Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The unaudited schedules of vendors contracted for services in excess of \$25,000, facility usage, and income not subject to the District of Columbia Public Charter School Board (DC PCSB) administrative fees are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, although not a part of the basic financial statements, are required by the DC PCSB and has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of the School's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal controls over financial reporting and compliance.

Washington, D.C.  
December 14, 2022



# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Statements of Financial Position As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,681,011	\$ 2,696,092
Grants receivable	484,380	355,112
Accounts receivable	405,278	96,889
Prepaid expenses	96,037	71,427
<b>Total Current Assets</b>	<u>2,666,706</u>	<u>3,219,520</u>
Deposits	129,858	169,108
Property and equipment, net	7,150,099	6,868,316
<b>Total Assets</b>	<u>\$ 9,946,663</u>	<u>\$ 10,256,944</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 426,268	\$ 473,391
Accrued compensation	277,422	262,159
Line of credit	256,500	-
Capital lease obligation, current portion	26,092	14,559
Notes payable, current portion	160,300	154,159
<b>Total Current Liabilities</b>	<u>1,146,582</u>	<u>904,268</u>
Deferred rent liability	412,105	245,021
Capital lease obligation, net of current portion	104,954	17,315
Notes payable, net of current portion	3,648,941	3,803,632
<b>Total Liabilities</b>	<u>5,312,582</u>	<u>4,970,236</u>
<b>Net Assets</b>		
Net assets without donor restrictions	4,434,081	4,677,900
Net assets with donor restrictions	200,000	608,808
<b>Total Net Assets</b>	<u>4,634,081</u>	<u>5,286,708</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 9,946,663</u>	<u>\$ 10,256,944</u>

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

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Statements of Activities and Changes in Net Assets For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Revenue and Support</b>		
Per pupil allocation - general education	\$ 5,568,982	\$ 5,183,939
Per pupil allocation - categorical enhancement	68,456	-
Per pupil allocation - facility allowance	1,840,320	1,755,120
Federal grants	1,004,379	931,213
State and local grants	435,759	315,783
Grants and contributions	871,112	359,222
Other income	4,348	2,965
Gain/(loss) on disposal of assets acquired under capital leases	670	(9,899)
Net assets released from restrictions	608,808	759,852
<b>Total Revenue and Support</b>	<u>10,402,834</u>	<u>9,298,195</u>
<b>Expenses</b>		
Educational programs	6,940,826	5,077,189
General and administrative	2,762,759	2,133,140
Fundraising	943,068	700,215
<b>Total Expenses</b>	<u>10,646,653</u>	<u>7,910,544</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<u>(243,819)</u>	<u>1,387,651</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Grants and contributions	200,000	398,937
Release from restrictions	(608,808)	(759,852)
<b>Change in Net Assets With Donor Restrictions</b>	<u>(408,808)</u>	<u>(360,915)</u>
Changes in net assets	(652,627)	1,026,736
Net assets, beginning of year	5,286,708	4,259,972
<b>Net Assets, End of Year</b>	<u>\$ 4,634,081</u>	<u>\$ 5,286,708</u>

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

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Statement of Functional Expenses For the Year Ended June 30, 2022, with Comparative 2021 Totals

	2022				2021 Total
	Educational Programs	General and Administrative	Fundraising	Total	
<b>Personnel, Salaries and Benefits</b>					
Salaries	\$ 3,138,773	\$ 1,232,906	\$ 475,848	\$ 4,847,527	\$ 4,242,998
Payroll taxes	272,341	106,975	41,288	420,604	364,703
Employee benefits	522,801	205,355	79,258	807,414	609,081
Total personnel, salaries and benefits	3,933,915	1,545,236	596,394	6,075,545	5,216,782
<b>Direct Student Costs</b>					
Recruitment	41,124	-	-	41,124	25,688
Assessment materials/program evaluation	18,641	-	-	18,641	6,818
Student assistance	388,486	-	-	388,486	54,910
Contracted instruction fees	828,151	-	-	828,151	378,802
Educational supplies and textbooks	94,598	-	-	94,598	44,091
Student events	63,765	-	-	63,765	21,604
Total direct student costs	1,434,765	-	-	1,434,765	531,913
<b>Occupancy Expenses</b>					
Rent	307,179	120,660	46,569	474,408	374,168
Contracted building services	297,247	116,758	45,064	459,069	214,588
Depreciation	113,063	44,411	17,141	174,615	90,445
Maintenance and repairs	54,762	21,511	8,302	84,575	45,124
Interest expense	94,205	37,004	14,282	145,491	153,694
Loan amortization cost	3,625	1,424	550	5,599	18,997
Utilities	89,801	35,274	13,614	138,689	82,362
Janitorial supplies	4,493	1,765	681	6,939	8,747
Total occupancy expenses	964,375	378,807	146,203	1,489,385	988,125
<b>Office Expenses</b>					
Dues, subscriptions, and fees	6,188	25,482	223	31,893	29,199
Office equipment rental and maintenance	14,567	4,083	-	18,650	11,110
Supplies and materials	17,531	33,327	-	50,858	28,679
Printing and postage	70	373	11,687	12,130	8,550
Telephone/communication	-	63,769	101	63,870	93,687
Total office expenses	38,356	127,034	12,011	177,401	171,225
<b>General Expenses</b>					
Authorizer fee	-	73,956	-	73,956	70,686
Fundraising fees	-	-	125,109	125,109	78,044
Professional fees	327,382	510,285	24,100	861,767	571,593
Insurance	-	31,154	-	31,154	21,908
Recruiting	8,450	3,319	1,281	13,050	11,061
Depreciation	233,444	91,697	35,391	360,532	244,536
Miscellaneous	139	1,271	2,579	3,989	4,671
Total general expenses	569,415	711,682	188,460	1,469,557	1,002,499
<b>Total Expenses</b>	<b>\$ 6,940,826</b>	<b>\$ 2,762,759</b>	<b>\$ 943,068</b>	<b>\$ 10,646,653</b>	<b>\$ 7,910,544</b>

The accompanying notes are an integral part of this financial statement.



# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Statements of Functional Expenses For the Year Ended June 30, 2021

	2021			
	<b>Educational Programs</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Personnel, Salaries and Benefits</b>				
Salaries	\$ 3,014,832	\$ 820,367	\$ 407,799	\$ 4,242,998
Payroll taxes	259,137	70,514	35,052	364,703
Employee benefits	432,778	117,764	58,539	609,081
Total personnel, salaries and benefits	<u>3,706,747</u>	<u>1,008,645</u>	<u>501,390</u>	<u>5,216,782</u>
<b>Direct Student Costs</b>				
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>531,913</u>
<b>Occupancy Expenses</b>				
Rent	151,855	201,773	20,540	374,168
Contracted building services	152,474	41,490	20,624	214,588
Depreciation	64,265	17,487	8,693	90,445
Maintenance and repairs	32,063	8,724	4,337	45,124
Interest expense	109,207	29,715	14,772	153,694
Loan amortization cost	13,498	3,673	1,826	18,997
Utilities	58,522	15,924	7,916	82,362
Janitorial supplies	6,215	1,691	841	8,747
Total occupancy expenses	<u>588,099</u>	<u>320,477</u>	<u>79,549</u>	<u>988,125</u>
<b>Office Expenses</b>				
Dues, subscriptions, and fees	4,050	17,855	7,294	29,199
Office equipment rental and maintenance	-	11,110	-	11,110
Supplies and materials	5,437	22,968	274	28,679
Printing and postage	566	1,565	6,419	8,550
Telephone/communication	-	92,484	1,203	93,687
Total office expenses	<u>10,053</u>	<u>145,982</u>	<u>15,190</u>	<u>171,225</u>
<b>General Expenses</b>				
Authorizer fee	-	70,686	-	70,686
Fundraising fees	-	-	78,044	78,044
Professional fees	57,674	512,752	1,167	571,593
Insurance	-	21,908	-	21,908
Recruiting	7,859	2,139	1,063	11,061
Depreciation	173,753	47,281	23,502	244,536
Miscellaneous	1,091	3,270	310	4,671
Total general expenses	<u>240,377</u>	<u>658,036</u>	<u>104,086</u>	<u>1,002,499</u>
<b>Total Expenses</b>	<u>\$ 5,077,189</u>	<u>\$ 2,133,140</u>	<u>\$ 700,215</u>	<u>\$ 7,910,544</u>

The accompanying notes are an integral part of this financial statement.

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (652,627)	\$ 1,026,736
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	535,147	334,981
Amortization of debt issuance costs	5,599	19,585
Loss on disposal of property and equipment	21,526	9,899
Forgiveness of capital lease liability	(22,196)	-
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable	(308,389)	(93,222)
Grants receivable	(129,268)	253,726
Prepaid expenses	(24,610)	879
Accounts payable and accrued expenses	(47,123)	308,148
Accrued compensation	15,263	12,284
Deferred rent	167,084	245,021
Deposits	39,250	-
<b>Net Cash from Operating Activities</b>	<u>(400,344)</u>	<u>2,118,037</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(696,917)	(1,709,199)
<b>Net Cash from Investing Activities</b>	<u>(696,917)</u>	<u>(1,709,199)</u>
<b>Cash Flows from Financing Activities</b>		
Principal payments on notes payable	(154,148)	(3,924,365)
Proceeds from note payable	-	3,989,500
Proceeds from/(payments on) line of credit	256,500	(82,809)
Debt issuance costs incurred	-	(44,787)
Principal payments on capital leases	(20,172)	(14,304)
<b>Net Cash Flows from Financing Activities</b>	<u>82,180</u>	<u>(76,765)</u>
Net change in cash	(1,015,081)	332,073
Cash and cash equivalents, beginning of year	2,696,092	2,364,019
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,681,011</u>	<u>\$ 2,696,092</u>
<b>Supplementary Information</b>		
Cash paid for interest	<u>\$ 145,491</u>	<u>\$ 153,106</u>
Acquisition of equipment under capital lease	<u>\$ 141,538</u>	<u>\$ -</u>
Termination of capital lease	<u>\$ 71,755</u>	<u>\$ 74,595</u>

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, 2022 and 2021**

### **1. ORGANIZATION**

Academy of Hope Adult Public Charter School (the School) 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 the School are tax-deductible within the limits described by the Code.

On June 24, 2014, the School 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 the School's charter to operate at these two facilities.

The School's mission is to provide high quality education and services that change lives and improve communities which it serves. At the heart of the School'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. The School supplements these classes with computer literacy, career development, and case management services. The School'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 as career exploration and job search assistance.

Each year, the School serves over 500 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. The School 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.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

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

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# **ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2022 and 2021**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Net Assets**

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose uses by the School have been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restriction. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and highly liquid investment funds, which have a maturity of 90 days or less. Cash equivalents as of June 30, 2022 and 2021, consisted of short-term highly liquid investments.

#### **Accounts and Grants Receivable**

Receivables represent revenue earned but not collected as of the end of the fiscal year for certain grants and contributions. The School provides an allowance for doubtful accounts equal to the estimated uncollectible accounts. The School's estimate is based on historical collection experience and a review of the current status of specific accounts and grants receivable. There was no allowance for the years ended June 30, 2022 and 2021, as management believes that these amounts are fully collectible.

#### **Property and Equipment**

Equipment valued in excess of \$1,000 or \$5,000 in bulk is capitalized and recorded at cost, if purchased, or estimated fair value at the date of gift, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets ranging from three to five years. Equipment under capital leases is amortized using the straight-line method over the lesser of the estimated useful lives of the equipment or the lives of the leases. Repairs, maintenance, and minor replacements are expensed as incurred while major replacements and improvements are capitalized.

# **ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2022 and 2021**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Revenue Recognition**

The School receives a student allocation from the District of Columbia as well as Federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding for general education, categorical enhancements, and a facilities allotment. The School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term are deemed to be conditional and are recorded as deferred revenue in the accompanying statements of financial position. Revenue from other government sources, including Federal entitlements and grants, is recognized as earned. It is considered earned once related expenses are incurred. In addition, the School recognizes revenue for students' activities, such as field trips, as the activities take place.

#### **Grants and Contributions**

The School 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.

#### **Functional Expense Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Expenses are charged directly to program services, general and administrative, and fundraising based on specific identification, when determinable. Salaries and benefits are charged to programs based on time and effort. The basis of the allocation for most costs is salaries while direct student costs are 100% attributed to educational programs. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the School.

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2022 and 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income Tax

The School is exempt from Federal income taxes under Section 501(c)(3) of the Code and applicable District of Columbia income tax laws.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The School performed an evaluation of uncertain tax positions as of June 30, 2022 and 2021 and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of June 30, 2022, the statute of limitations for fiscal years 2019 through 2022 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the School files tax returns. It is the School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

#### Available Resources and Liquidity

The following table reflects the School's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within the next year:

<b>Liquidity and Availability of Resources</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 1,681,011	\$ 2,696,092
Grants receivable	484,380	355,112
Accounts receivable	405,278	96,889
<b>Total Financial Assets at Year End</b>	<b>2,570,669</b>	<b>3,148,093</b>
<b>Less Amounts Not Available to be Used Within One Year:</b>		
Donor contributions restricted to specific purposes	(200,000)	(608,808)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$ 2,370,669</b>	<b>\$ 2,539,285</b>

The School has adequate financial assets available to satisfy operating expenses with a goal to maintain financial assets on hand to meet at least 45 days of operating expenses. To help manage unanticipated liquidity needs, the School has a line of credit in the amount of \$270,000, which as of June 30, 2022 had \$13,500, available to be drawn upon.

The School 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. The School's cash and cash equivalents routinely exceed the FDIC limit. Management does not believe the School is exposed to any significant credit risk on its cash and cash equivalents.

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2022 and 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the School to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provided further clarity and transition options for adoption of FASB ASU No. 2016-02. This standard is effective for periods beginning after December 15, 2021.

Management is evaluating the effect of this pronouncement on the financial statements and will implement it by the effective date.

#### Subsequent Events

The School's management evaluated the accompanying financial statements for subsequent events and transactions through December 14, 2022, the date the financial statements were available for issue, and has determined that, no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

### 3. PROPERTY AND EQUIPMENT

As of June 30, 2022 and 2021, property and equipment consisted of the following:

	<b>2022</b>	<b>2021</b>
Land	\$ 1,660,000	\$ 1,660,000
Building	3,515,095	3,498,380
Construction in progress	-	1,452,342
Furniture and equipment	1,571,808	1,023,605
Leasehold improvements	1,811,397	227,056
Leased equipment	141,539	71,755
Vehicle	61,162	61,162
<b>Total</b>	<b>8,761,001</b>	<b>7,994,300</b>
Less: accumulated depreciation	1,610,902	1,125,984
<b>Total Property and Equipment, Net</b>	<b>\$ 7,150,099</b>	<b>\$ 6,868,316</b>

Depreciation expense was \$535,147 and \$334,981, for the years ended June 30, 2022 and 2021, respectively.

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2022 and 2021

### 4. COMMITMENTS AND CONTINGENCIES

#### Grants

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

#### Concentration of Revenue

The School receives an annual per pupil allotment from the District of Columbia based on its student enrollment and other grants which is a substantial portion of its revenue. If a significant reduction in this revenue should occur, it may have a material effect on the School's programs. During the years ended June 30, 2022 and 2021, the School earned revenue of approximately \$8,900,000 and \$8,200,000, respectively, from the District of Columbia, which is approximately 86% and 88% of total revenue, respectively. These amounts are reflected as the District of Columbia per pupil allocation, categorical enhancement, facilities allowance, Federal entitlements and grants and other local government contributions and grants revenue in the accompanying statements of activities and changes in net assets.

#### Capital Leases

In February 2022, the School entered into a capital lease agreement for three new copiers for a combined cost of \$141,538. The lease is scheduled to expire in 2027. The School cancelled the previous copier lease, resulting in the net gain of \$670.

Leased assets were capitalized at a combined cost of \$141,538 and \$71,755, as of June 30, 2022 and 2021, respectively. Capital lease obligations totaled \$131,045 and \$31,874, as of June 30, 2022 and 2021, respectively. Interest expense was \$4,477 and \$3,323, for the years ended June 30, 2022 and 2021, respectively.

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 32,052
2024	32,052
2025	32,052
2026	32,052
2027	18,697
Net minimum lease payments	146,905
Less: amount representing interest	15,860
Present value of net minimum lease payments	<u>\$ 131,045</u>



# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2022 and 2021

### 4. COMMITMENTS AND CONTINGENCIES (continued)

#### Operating Leases

The School 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. On July 1, 2021, the subleased property expanded to include 8,093 square feet of additional space on the third floor of the building.

As part of the lease amendment, the School has agreed to complete \$1,800,000 in renovations to the additional space, of which \$1,200,000 was to be completed by August 31, 2022. As of June 30, 2022, the School completed approximately \$1,400,000 of renovations and management expects to complete the entire project by June 30, 2027. The School was required to report progress on the renovations including invoices to the landlord beginning on October 1, 2019. As compensation for these renovations the School was entitled to 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, the School will be required to repay the abatements to the extent of the shortfall.

Total rent expense for the years ended June 30, 2022 and 2021, was \$474,408 and \$374,168, 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:

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 320,007
2024	333,007
2025	346,332
2026	259,990
2027	273,990
2028 and thereafter	4,848,410
Total	<u>\$ 6,381,736</u>

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2022 and 2021

### 5. NOTES PAYABLE AND LINE OF CREDIT

#### Term Note

On March 31, 2021, the School entered into an amended and restated loan with a bank in the amount of \$3,989,500, which has an outstanding balance of \$3,827,014 and \$3,967,418, as of June 30, 2022 and 2021, respectively. The note requires monthly principal and interest payments at a fixed rate of 3.55% per annum based on an eight-year amortization schedule. The interest expense for the note were \$138,931 and \$147,291 for the year ended June 30, 2022 and 2021, respectively. The note has several financial covenants including but not limited to meeting a debt service ratio of 1.30 to 1. The note is scheduled to mature on March 30, 2029, with a balloon payment of \$2,737,696.

#### Line of Credit

The School has a revolving line of credit of \$270,000, which expires on March 30, 2029. The line of credit accrues interest at the Bank's prime rate per annum minus twenty-five basis points, which was 4.50% and 4.75% per annum as of June 30, 2022 and 2021, respectively. Payments are due quarterly. As of June 30, 2022, the outstanding balance on the line of credit was \$256,500.

#### Vehicle Loan

In October 2018, the School obtained a \$65,731 note payable for the acquisition of a bus with principal and interest payments due monthly at a fixed rate of 7.56% per annum. The note matures on October 2, 2023. The interest expense for the note was \$2,083 and \$3,080 for the years ended June 30, 2022 and 2021, respectively. The outstanding balance on the note totaled \$20,017 and \$33,761, as of June 30, 2022 and 2021, respectively.

Long-term debt as of June 30, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Note payable - property	\$ 3,827,014	\$ 3,967,418
Note payable - vehicle	<u>20,017</u>	<u>33,761</u>
Total notes payable	3,847,031	4,001,179
Current portion	(160,300)	(154,159)
Debt issuance costs, net	<u>(37,790)</u>	<u>(43,388)</u>
Notes payable, net of current portion	<u>\$ 3,648,941</u>	<u>\$ 3,803,632</u>

Debt issuance costs and accumulated amortization are as follows as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Debt issuance costs	\$ 44,787	\$ 44,787
Accumulated amortization	<u>(5,599)</u>	<u>(1,399)</u>
Debt issuance costs, net	<u>\$ 39,188</u>	<u>\$ 43,388</u>

## ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

### Notes to the Financial Statements June 30, 2022 and 2021

#### 5. NOTES PAYABLE AND LINE OF CREDIT (continued)

Future principal payments on long-term debt as of June 30, are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 160,300
2024	155,570
2025	156,149
2026	161,781
2027	167,617
2028 and thereafter	3,045,614
Total	<u>\$3,847,031</u>

#### 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2022 and 2021, were restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Clark Foundation	\$ -	\$ 565,808
PNC Foundation	<b>200,000</b>	-
Building for Mission	-	23,500
Time restricted	-	19,500
<b>Total</b>	<u><b>\$ 200,000</b></u>	<u><b>\$ 608,808</b></u>

#### 7. RETIREMENT PLAN

The School 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. The School 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 \$109,055 and \$93,650, for the years ended June 30, 2022 and 2021, respectively.

## **SUPPLEMENTAL SCHEDULES**

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Schedule of Vendors Contracted for Services in Excess of \$25,000 For the Year Ended June 30, 2022 (UNAUDITED)

Award Date	Name of Vendor	Goods and Services	Minimum Contract Amount	Maximum Contract Amount	Conflict of Interest
6/24/2022	Active Hands Interpreting	Contracted Instruction Services	\$ 400,000	\$ 400,000	No
6/9/2022	Benefits Mall	Dental, Life, & Disability Insurance	25,000	750,000	No
5/20/2022	Building for Mission	Contracting services	25,000	100,000	No
6/15/2021	Busy Bee Environmental Service	Contracting services	100,000	150,000	No
11/22/2021	CDW Government	Computers and equipment	25,000	100,000	No
5/9/2022	Centric Telecom, Inc	Telephone & telecommunications	25,000	35,000	No
2/15/2022	Community IT Innovators	IT support	25,000	500,000	No
1/15/2021	D. McBride Office Solutions	Contracted Instruction Services	39,885	42,000	No
4/8/2021	DC Water and Sewer Authority	Water	25,000	125,000	No
3/4/2021	Dell Marketing L.P.	Computers and equipment	30,000	31,000	No
11/24/2020	Doyle Construction Company	Contracting services	1,092,000	1,200,000	No
7/6/2021	EdOps	Financial Services	82,500	82,500	No
3/8/2022	Ford & Harrison LLP	Legal Services	25,000	35,000	No
10/8/2021	Four Seasons Hotel	Gala /fundraising	25,000	55,000	No
7/22/2021	LGC Security LLC	Security Services	25,000	100,000	No
5/13/2021	Lookthink	Student Information System design, & development Services	25,000	50,000	No
5/15/2022	Matthew O'Hara	Contracted Instruction Services- ASL interpreting	25,000	35,000	No
3/30/2021	Pepco	Electricity	25,000	125,000	No
6/30/2022	PerCon Contracting LLC	Contracting services	25,000	27,000	No
8/4/2021	PMM Companies	Janitorial Service	166,320	166,320	No
6/1/2022	Pridestaff	Contracting services	25,000	200,000	No
6/15/2022	R&R Mechanical, Inc.	Contracting services	25,000	100,000	No
5/5/2022	Salesforce	Student Information System design, & development Services	27,936	40,000	No
10/1/2021	School Health Partners LLC	Contracting services	25,000	100,000	No
6/30/2022	STL Salesforce Solutions	Contracting services	25,000	75,000	No
3/30/2020	Stoiber & Associates PC	Contracting services	25,186	25,186	No
11/22/2021	T-Mobile	Telephone & telecommunications	25,000	150,000	No
2/14/2022	The Ardian Group Inc	Contracting services- COVID PCR Tests	25,000	50,000	No
6/5/2022	The Hartford	Insurance	25,000	35,000	No
4/8/2022	Washington Gas	Utilities & heat	25,000	40,000	No

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

**ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL**

**Schedule of Facility Usage  
For the Year Ended June 30, 2022  
(UNAUDITED)**

	<b>Square Feet</b>
Total square footage of leased facilities	24,159
Total square footage of owned facilities	25,733
Total square footage of combined facilities	49,892

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Schedule of Income Not Subjected to the DC PCSB Administrative Fees For the Year Ended June 30, 2022 (UNAUDITED)

<b>Total Revenue per the Financial Statement</b>	<b>\$</b>	<b>10,602,834</b>
<b>Less: Income Not Subject to the DC PCSB Administrative Fees</b>		
Private grants and donations	\$	1,071,110
Net loss on sales of assets		670
Interest/investment income		100
ESSER equivalent		578,027
PCS reopening facilities grant		181,818
COVID-19 positive case response		61,163
<b>Total Income Not Subject to the DC PCSB Administrative Fee</b>	<b>\$</b>	<b>1,892,888</b>
<b>Adjusted Revenue Subject to Authorizer Fee</b>	<b>\$</b>	<b>8,709,946</b>
<b>0.9% of the Net Revenue, Fee to Be Paid to the DC PCSB</b>	<b>\$</b>	<b>78,390</b>
<b>Total Authorizer Fee Paid to the DC PCSB for the year ended June 30, 2022</b>		<b>73,860</b>
<b>Over/(Under) Paid</b>	<b>\$</b>	<b>(4,530)</b>



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL  
CONTROLS 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 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 the Academy of Hope Adult Public Charter School (the School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2022.

***Report on Internal Controls over Financial Reporting***

In planning and performing our audits of the financial statements, we considered the School's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal controls. Accordingly, we do not express an opinion on the effectiveness of the School's internal controls.

*A deficiency in internal controls* exists when the design or operation of a controls 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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





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### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, D.C.  
December 14, 2022

*SB & Company, LLC*



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

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

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the Academy of Hope Adult Public Charter School's (the School) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the School's major Federal programs for the year ended June 30, 2022. The School's major Federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the 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, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's Federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal controls over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal controls over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal controls over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal controls over compliance that we identified during the audit.



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## **Report on Internal Controls over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other 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, D.C.  
December 14, 2022

*SB & Company, LLC*

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

<u>Funding Agency/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing</u>	<u>Grant or Passthrough Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b><u>U.S. Department of Education</u></b>				
Passed through D.C. Office of the State Superintendent of Education (OSSE):				
AFE-Federal	84.002A	Unknown	\$ 104,821	\$ -
SOAR-CARES Combined (ESSER III)	84.370C	Unknown	201,588	-
SOAR-CARES Combined (Academic Quality)	84.370C	Unknown	81,494	-
SOAR-Formula Combined	84.370C	Unknown	376,439	-
<b>Total U.S. Department of Education</b>			<u>764,342</u>	<u>-</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
Passed through D.C. Office of the State Superintendent of Education (OSSE):				
COVID-19 Schoolbased Testing	93.323	6 NU50CK000502-02-05	<u>58,219</u>	<u>-</u>
<b><u>U.S. Department of Treasury</u></b>				
Passed through D.C. Office of the State Superintendent of Education (OSSE):				
Coronavirus State and Local Fiscal Recovery - PCS Reopening Facilities	21.027	Unknown	<u>181,818</u>	<u>-</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,004,379</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the Academy of Hope Adult Charter School (the School) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the U.S. Office of Management and Budget (OMB) Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant program noted below. The programs on the schedule of expenditures of Federal awards (the Schedule) represents all Federal award programs with fiscal year 2022, cash or non-cash expenditure activities. For single audit testing, we tested to ensure coverage of at least 40% of Federally granted funds. Actual coverage is 66%. The major program tested are listed below.

The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<b>Federal Department / Grant Programs</b>	<b>Federal Assistance Listing</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education</b>		
SOAR-CARES Combined (ESSER III)	84.370C	\$ 201,588
SOAR-CARES Combined (Academic Quality)	84.370C	81,494
SOAR-Formula Combined	84.370C	376,439
		<u>\$ 659,521</u>

### 2. BASIS OF PRESENTATION

The accompanying Schedule includes the Federal award activity of the School is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the cost principles contained in the Single Audit.

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

### Section I – Summary of Independent Public Accountants’ Results

Type of Report of Independent Public Accountants issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified
Internal controls over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to the financial statements noted?	No

### Federal Awards

Type of Independent Public Accountants' Report issued on compliance for major Federal programs:	Unmodified
Internal controls over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Audit finding disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance	Yes

### Identification of Major Programs:

Federal Department / Grant Programs	Federal Assistance Listing	Federal Expenditures
<b>U.S. Department of Education</b>		
SOAR-CARES Combined (ESSER III)	84.370C	\$ 201,588
SOAR-CARES Combined (Academic Quality)	84.370C	81,494
SOAR-Formula Combined	84.370C	376,439
		<u>\$ 659,521</u>
Threshold for distinguishing between Type A and B programs		\$ 750,000
Did the School qualify as a low risk auditee?		Yes

### Section II - Financial Statement Findings

None noted.

### Section III - Federal Award Findings

See finding number 2022-001.

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

### Finding 2022-001

U. S. Department of Education

#### 84.370C – DC Opportunity Scholarship Program

#### Significant Deficiency over Compliance and Internal Control over Procurement and Suspension and Debarment

Repeat Finding: Yes

##### ***Condition:***

For 1 out of 1 selections, management did not follow the appropriate method of procurement for contracts in excess of \$25,000, in accordance with the Schools financial policies and procedures and as set forth by the DC PCSB.

##### ***Criteria:***

In accordance with 2 CFR §200.320: When the value of the procurement for property or services under a Federal financial assistance award exceeds the *simplified acquisition threshold* (SAT), or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319.

##### ***Cause:***

The contract was initially budgeted to be under \$25,000 and was procured using small purchase procedures; however the total contract costs were \$25,600 (which is greater than the School's SAT) for the year ended June 30, 2022.

##### ***Effect***

The subrecipient may not be in compliance with Uniform Guidance.

##### ***Questioned Costs***

Unknown.

##### ***Recommendation***

We recommend the School implement a process to monitor its vendors that are above \$20,000, to ensure year to date costs do not exceed \$25,000.

##### ***Auditee Response and Corrective Action Plan:***

Refer to the corrective action plan.

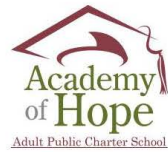
##### ***Auditor's Conclusion:***

Finding remains as stated.



# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Corrective Action Plans For the Year Ended June 30, 2022



*Excellence in Adult Education Since 1985*

December 14, 2022

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022 30

Finding 2022-001

U. S. Department of Education

84.370C – DC Opportunity Scholarship Program

Significant Deficiency over Compliance and Internal Control over Procurement and Suspension and Debarment

### Planned Corrective Action:

In response to last year's finding the School did implement more stringent procurement processes which include requiring the completion of a Grants Compliance Checklist **prior** to any spending on a federal grant. This was completed in the case of this vendor and demonstrated evidence of utilizing the simplified acquisition threshold (SAT) process was provided. However, we underestimated the amount we would spend on the vendor.

In our weekly accounting meeting, the School has implemented a process to monitor its vendors that have exceeded \$20,000, to ensure year to date costs do not exceed \$25,000. Beginning in September 2021, the School provided individual training to all budget managers which highlights federal and local procurement processes. We have also implemented quarterly meetings with all budget managers to ensure we are aware of upcoming expenses that may exceed the \$25K threshold and/ or incremental expenses that may exceed \$25K with one vendor. Finally, we are proactively bidding out all contracts that exceeded \$25K last year.

Name of Contact Person: Tiffany Godbout, COO, 202-269-6623, [tiffany@aohdc.org](mailto:tiffany@aohdc.org)

Anticipated completion date: The Corrective Action Plan will be implemented no later than January 1, 2023.

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Tiffany Godbout, Chief Operations Officer

# ACADEMY OF HOPE ADULT PUBLIC CHARTER SCHOOL

## Schedule of Prior Year Findings For the Year Ended June 30, 2022

### Finding 2021-001

U. S. Department of Education

#### 84.370C – DC Opportunity Scholarship Program

**Type of Finding: Noncompliance, Significant Deficiency**  
**Compliance Requirements: Procurement Suspension & Debarment**

***Condition:***

As a part of the Uniform Guidance Compliance testing, auditors 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.

***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:***

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.

***Recommendation:***

It is recommended that management implement a system for bidding out contracts over \$25,000 for services that are to be submitted for reimbursement.

***Status Update:***

Finding remains. See current year finding 2022-001.