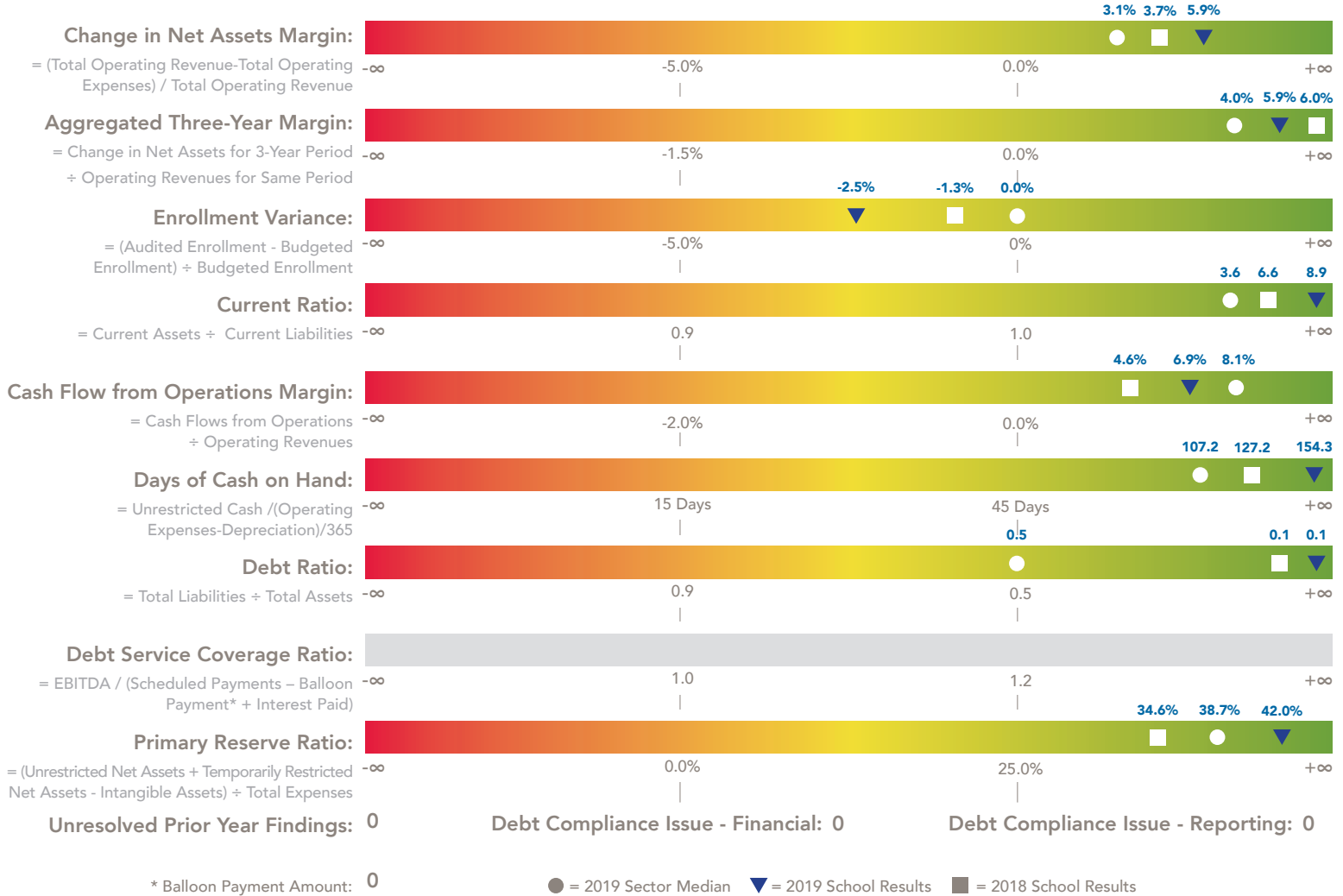


Opened:
2005-2006

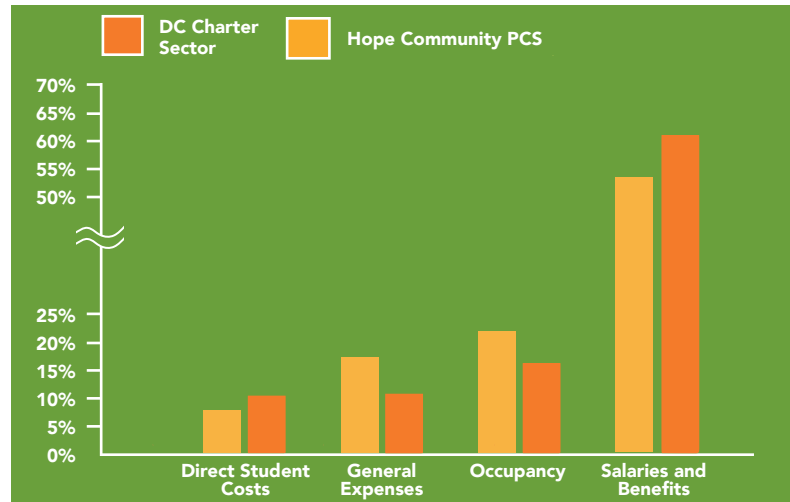
Audited Enrollment:
741

KEY FINANCIAL INDICATORS



Comments from the School

PCS EXPENSES BY CATEGORY



HOPE COMMUNITY PCS

FY2019 Financial Analysis Report

FINANCIAL POSITION

| | 2019 | 2018 |
|----------------------------|--------------------|--------------------|
| Total Assets | \$7,220,887 | \$6,419,277 |
| Current Assets | \$7,069,907 | \$6,323,761 |
| Total Liabilities | \$797,881 | \$957,016 |
| Current Liabilities | \$797,881 | \$957,016 |
| Net Asset Position | \$6,423,006 | \$5,462,261 |

FINANCIAL ACTIVITIES

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Revenues and Support | \$16,239,578 | \$16,396,047 |
| Expenses | \$15,278,833 | \$15,795,249 |
| Non-operating Revenues (Expenses) | \$0 | \$0 |
| Surplus (Deficit) | \$960,745 | \$600,798 |

AUDIT FINDINGS

| | 2019 | 2018 |
|---|-----------|-----------|
| Qualified/Modified/Adverse Opinion on the Financial Statements | No | No |
| Material Weakness in Internal Control over Financial Reporting (GAS) | No | No |
| Non-compliance Material to the Financial Statements (GAS) | No | No |
| Modified Opinion on Major Federal Award Programs (Uniform Guidance) | No | No |
| Material Weaknesses in the Internal Control over Compliance with Major Federal Programs (Uniform Guidance) | No | No |
| Findings and Questioned Costs | 1 | 0 |
| Going-Concern Issue | No | No |

REVENUES/EXPENSES PER STUDENT

| | 2019 | 2018 | 2019 Sector Median |
|---|-----------------|-----------------|--------------------|
| DC Funding per Student | \$20,114 | \$19,762 | \$19,863 |
| Grants and Contributions Per Student | \$0 | \$0 | \$346 |
| Total Revenues per Student | \$21,916 | \$21,717 | \$23,270 |
| Expenses per Student | \$20,619 | \$20,921 | \$22,981 |

PCSB OBSERVATIONS

The school's financial position was exceptionally strong. Both revenues and expenses were essentially unchanged from 2018 as the school experienced a modest (2%) decline in enrollment. Notably, while overall expenses declined 2%, investment in educational programs increased slightly as general and administrative expenses declined by 22%. While overall revenues did not increase, the school had very strong financial performance. Specifically the change in net assets margin was 5.9%, the current ratio was 8.9, and the school had 154 days of cash on hand. The debt ratio was an extremely low 0.1, indicating that the school had very low leverage.

The audit did find a significant deficiency and noncompliance with a contract provision. It was found the school did not have adequate controls to ensure eligibility requirements of students since there were students from Maryland enrolled 2018 - 19. The school has implemented corrective actions.

Property Lease:

The school two leases with Schoolhouse Finance, a separate, for-profit entity. Both Schoolhouse Finance and Imagine Schools, Inc., Hope Community PCS' Management Organization are subsidiaries of Imagine Schools Non-Profit, Inc. (ISNP).

The Tolson Campus lease which began January 1, 2007 was amended January 16, 2017 extending the terms of the lease through June 30, 2032. The operating lease for the Lamond Campus, which began August 2, 2007 is in its second amendment, extending the terms of the lease through June 30, 2029. The Base Rent for both leases escalate at an amount equal to the increase in the Consumer Price Index increase for the immediately preceding calendar year. In 2019, total rent expense was \$3.0M.

| School Name | FY19 Revenues | FY19 Operating Result |
|---|--------------------|-----------------------|
| Hope Community PCS | \$16,239,578 | \$960,745 |
| Management Organization ("MO") / Related Party ("RP") | MO/RP Tax Status | |
| Imagine Schools Non-Profit, Inc | Non-Profit | |
| Highest Paid Employee / Head of MO / RP | Title | Total Compensation |
| Barry Sharp | CFO | \$390,000 |
| Services Provided | FY19 Payment | % of School Revenue |
| Administrative | \$1,933,823 | 11.91% |
| | | |
| Total | \$1,933,823 | 11.91% |
| DC PCSB Comments | | |
| <p>Imagine Schools Inc. (Imagine), the school's management company, provides ongoing operational and financial support under an operating contract. To the extent the school does not have sufficient funds to pay operating expenses, Imagine will advance funds on a reimbursement basis. Payments to Imagine include:</p> <p>\$1.9MM management fee (12% of total revenue provided by state and local governments), plus \$60k in administrative expenses (\$2.5k monthly administrative fee per campus). Additionally, the school incurred certain costs on behalf of Imagine for certain payroll and other payroll-related benefit costs.</p> <p>Please note that the highest paid employee above was taken from the most recent 990 available at the time this report was produced.</p> | | |
| School Comments | | |
| | | |

| School Name | FY19 Revenues | FY19 Operating Result |
|--|------------------|-----------------------|
| Hope Community PCS | \$16,239,578 | \$960,745 |
| Management Organization ("MO") / Related Party ("RP") | MO/RP Tax Status | |
| Schoolhouse Finance, LLC | For Profit | |
| Highest Paid Employee / Head of MO / RP | Title | Total Compensation |
| Karl Huber | Vice President | \$124,000 |
| Services Provided | FY19 Payment | % of School Revenue |
| Rent for two School Campuses | \$3,044,693 | 18.75% |
| | | |
| Total | \$3,044,693 | 18.75% |
| DC PCSB Comments | | |
| On May 4, 2007, the school entered into a lease agreement for the Tolson Campus, which is located at 2917 Eighth Street, NE with Schoolhouse Finance LLC (a company related to Imagine Schools Inc.). This lease began on January 1, 2007, and is scheduled to continue until August 22, 2020, the end of the school's charter period. | | |
| School Comments | | |
| | | |