

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

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

**For the Years Ended June 30, 2020 and 2019**



**JUNE 30, 2020 AND 2019**

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

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

We have audited the accompanying financial statements of Hope Community Public Charter School, Inc., d/b/a Imagine Hope Community Charter School (the School) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and change in net asset, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the auditing standards established pursuant to the District of Columbia School Reform Act, Public law No. 104-134, 110 Stat. 1321-121, 2204(c)(ii)(B)(ix)(1996); D.C. Official Code 38-1802.04(ii)(B)(2001, as amended). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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 the School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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

The schedule of vendors contracted for services in excess of \$25,000, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, although not a part of the basic financial statements, is required by the District of Columbia Public Charter School Board, 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of the School's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 control over financial reporting and compliance.

Washington, D.C.  
November 20, 2020

*SB & Company, LLC*

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Statements of Financial Position As of June 30, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Cash	\$ 6,127,483	\$ 6,416,788
Grants receivable	238,342	256,230
Other receivables	532,395	347,493
Due from related party, net	18,369	-
Prepaid expense	57,725	49,396
Property and equipment, net	127,134	150,980
<b>Total Assets</b>	<b>\$ 7,101,448</b>	<b>\$ 7,220,887</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 289,201	\$ 278,128
Accrued salaries and payroll withholdings	525,903	475,389
Due to related party, net	-	44,364
Deferred revenue	13,082	-
<b>Total Liabilities</b>	<b>828,186</b>	<b>797,881</b>
<b>Net Assets</b>		
Without donor restrictions	6,273,262	6,423,006
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,101,448</b>	<b>\$ 7,220,887</b>

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

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Statements of Activities and Change in Net Assets For the Years Ended June 30, 2020 and 2019

<b>CHANGE IN NET ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>WITHOUT DONOR RESTRICTIONS</b>		
Tuition - per pupil funding allocation	\$ 12,404,141	\$ 12,486,599
DC facilities allowance	2,357,845	2,417,883
Federal entitlements and grants	875,173	1,165,649
Student activities	28,736	93,949
Other revenue	125,418	75,498
<b>Total Revenue and Other Support</b>	<b>15,791,313</b>	<b>16,239,578</b>
 <b>Expenses</b>		
Educational services	13,893,825	13,063,909
General and administrative	2,047,232	2,214,924
<b>Total Expenses</b>	<b>15,941,057</b>	<b>15,278,833</b>
 Change in net assets	(149,744)	960,745
Net assets, beginning of year	6,423,006	5,462,261
<b>Net Assets, End of Year</b>	<b>\$ 6,273,262</b>	<b>\$ 6,423,006</b>

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

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Statement of Functional Expenses For the Year Ended June 30, 2020, with comparative totals for 2019

	2020			
	Educational Services	General and Administrative	Total	2019
<b>Personnel Salaries and Benefits</b>				
Principal and office salaries	\$ 575,484	\$ 143,871	\$ 719,355	\$ 1,136,944
Teacher salaries	4,746,457	-	4,746,457	4,071,166
Assistant teacher salaries and aides	862,968	-	862,968	732,891
Food service salaries	166,382	-	166,382	181,757
Facilities salaries	301,388	75,347	376,735	275,231
Fringe benefits	865,101	26,756	891,857	933,567
Payroll taxes	555,341	17,175	572,516	556,185
<b>Total Personnel Salaries and Benefits</b>	<b>8,073,121</b>	<b>263,149</b>	<b>8,336,270</b>	<b>7,887,741</b>
<b>Direct Student Costs</b>				
Textbooks and textbook depreciation	77,831	-	77,831	78,243
Classroom supplies	63,249	-	63,249	62,282
Contracted instructional/student services	234,504	-	234,504	293,758
Computer support and supplies	246,723	-	246,723	29,396
Student assessment materials	23,642	-	23,642	23,923
Food service costs	347,829	-	347,829	432,316
Professional development costs	61,804	-	61,804	80,559
Classroom furniture/fixture rental	5,599	-	5,599	1,234
Student activity expenses	107,014	-	107,014	118,844
Field trips and parental involvement costs	5,035	-	5,035	68,039
Nursing supplies	2,351	-	2,351	2,599
Student uniforms	9,974	-	9,974	-
<b>Total Direct Student Costs</b>	<b>1,185,555</b>	<b>-</b>	<b>1,185,555</b>	<b>1,191,193</b>
<b>Occupancy Costs</b>				
Rent	3,012,418	93,168	3,105,586	3,044,693
Utilities	254,084	7,858	261,942	235,180
Repairs and maintenance	131,940	4,081	136,021	88,094
Custodian service	83,801	2,592	86,393	87,869
Other occupancy costs	275,923	8,534	284,457	51,613
<b>Total Occupancy Costs</b>	<b>3,758,166</b>	<b>116,233</b>	<b>3,874,399</b>	<b>3,507,449</b>
<b>Office Expenses</b>				
Office supplies and materials	37,721	37,721	75,442	94,231
Telecommunications	33,786	33,786	67,572	64,667
Staff meetings and meals	19,160	19,160	38,320	53,207
Printing and publications	19,389	19,390	38,779	43,652
Postage and shipping	1,331	1,332	2,663	3,765
Marketing and promotion	7,644	7,645	15,289	28,047
<b>Total Office Expenses</b>	<b>119,031</b>	<b>119,034</b>	<b>238,065</b>	<b>287,569</b>
<b>General Expenses</b>				
Insurance	70,777	2,189	72,966	68,315
Management fees and support fees	467,594	1,426,800	1,894,394	1,933,823
Start up development allocation	-	-	-	60,000
Charter administration fee	141,628	-	141,628	145,918
Professional services	7,284	117,641	124,925	97,464
Depreciation	70,669	2,186	72,855	99,361
<b>Total General Expenses</b>	<b>757,952</b>	<b>1,548,816</b>	<b>2,306,768</b>	<b>2,404,881</b>
<b>Total Expenses</b>	<b>\$ 13,893,825</b>	<b>\$ 2,047,232</b>	<b>\$ 15,941,057</b>	<b>\$ 15,278,833</b>

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

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Statement of Functional Expenses For the Year Ended June 30, 2019

	Educational Services	General and Administrative	Total
<b>Personnel Salaries and Benefits</b>			
Principal and office salaries	\$ 909,555	\$ 227,389	\$ 1,136,944
Teacher salaries	4,071,166	-	4,071,166
Assistant teacher salaries and aides	732,891	-	732,891
Food service salaries	181,757	-	181,757
Facilities salaries	220,185	55,046	275,231
Fringe benefits	896,224	37,343	933,567
Payroll taxes	533,938	22,247	556,185
<b>Total Personnel Salaries and Benefits</b>	<b>7,545,716</b>	<b>342,025</b>	<b>7,887,741</b>
<b>Direct Student Costs</b>			
Textbooks and textbook depreciation	78,243	-	78,243
Classroom supplies	62,282	-	62,282
Contracted instructional/student services	293,758	-	293,758
Computer support and supplies	29,396	-	29,396
Student assessment materials	23,923	-	23,923
Food service costs	432,316	-	432,316
Professional development costs	80,559	-	80,559
Classroom furniture/fixtures rental	1,234	-	1,234
Student activity expenses	118,844	-	118,844
Field trips and parental involvement costs	68,039	-	68,039
Nursing supplies	2,599	-	2,599
<b>Total Direct Student Costs</b>	<b>1,191,193</b>	<b>-</b>	<b>1,191,193</b>
<b>Occupancy Costs</b>			
Rent	2,922,905	121,788	3,044,693
Utilities	225,773	9,407	235,180
Repairs and maintenance	84,570	3,524	88,094
Custodian service	84,354	3,515	87,869
Other occupancy costs	49,548	2,065	51,613
<b>Total Occupancy Costs</b>	<b>3,367,150</b>	<b>140,299</b>	<b>3,507,449</b>
<b>Office Expenses</b>			
Office supplies and materials	47,115	47,116	94,231
Telecommunications	32,333	32,334	64,667
Staff meetings and meals	26,603	26,604	53,207
Printing and publications	21,826	21,826	43,652
Postage and shipping	1,882	1,883	3,765
Marketing and promotion	14,023	14,024	28,047
<b>Total Office Expenses</b>	<b>143,782</b>	<b>143,787</b>	<b>287,569</b>
<b>General Expenses</b>			
Insurance	65,582	2,733	68,315
Management fees and support fees	467,594	1,466,229	1,933,823
Start up development allocation	-	60,000	60,000
Charter administration fee	145,918	-	145,918
Board expenses	-	14,290	14,290
Professional services	41,587	41,587	83,174
Depreciation	95,387	3,974	99,361
<b>Total General Expenses</b>	<b>816,068</b>	<b>1,588,813</b>	<b>2,404,881</b>
<b>Total Expenses</b>	<b>\$ 13,063,909</b>	<b>\$ 2,214,924</b>	<b>\$ 15,278,833</b>

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



# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (149,744)	\$ 1,005,109
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	72,855	99,361
Effect of changes in non-cash assets and liabilities:		
Grants receivable	17,888	(2,524)
Other receivables	(184,902)	259,322
Due to/from related party, net	(62,733)	(75,279)
Prepaid expenses	(8,329)	(36,629)
Accounts payable	11,073	(88,170)
Deferred revenue	13,082	-
Accrued salaries and payroll withholdings	50,514	(40,050)
<b>Net Cash from Operating Activities</b>	<u>(240,296)</u>	<u>1,121,140</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	<u>(49,009)</u>	<u>(154,825)</u>
Net change in cash	(289,305)	966,315
Cash, beginning of year	6,416,788	5,450,473
<b>Cash, End of Year</b>	<u>\$ 6,127,483</u>	<u>\$ 6,416,788</u>

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

# **IMAGINE HOPE COMMUNITY CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2020 and 2019**

### **1. ORGANIZATION**

Hope Community Charter School, Inc., d/b/a Imagine Hope Community Charter School (the School) is a not-for-profit organization incorporated on September 21, 2004, and located in Washington, DC. The School was incorporated exclusively for educational purposes and is authorized by the District of Columbia Public Charter School Board (the Board). The current charter covers a term of 15 years through August 22, 2020 and was renewed effective July 1, 2020 to continue until June 30, 2021. On or before the completion of the charter, the charter may be renewed at the discretion of the Board. The School is also part of the District of Columbia Public School System. The School is tuition-free and serves Washington, DC children in grades pre-kindergarten to eighth grade at two campuses, Tolson and Lamond. The School's mission is to shape the hearts and minds of its students positively, by providing them with an academically rigorous, content rich curriculum, in an environment in which character is molded and promoted and a community which builds trusting relationships with others.

The School's primary sources of support are local per pupil appropriations for charter schools from the District of Columbia Government.

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

#### **Basis of Accounting**

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

#### **Use of Estimates**

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

#### **Grants Receivable**

Grants receivable consist primarily of amounts due from governmental agencies and are recorded at their net realizable value. The School records an allowance for doubtful accounts equal to estimated losses that will be incurred in the collection of receivables. The estimated losses are based on historical collection experience and the review of the current status of existing receivables. Management believes that all receivables were fully collectible as of June 30, 2020 and 2019.

# **IMAGINE HOPE COMMUNITY CHARTER SCHOOL**

## **Notes to the Financial Statements**

**June 30, 2020 and 2019**

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

#### **Other Receivables**

Other receivables consists primarily of amounts due from the District of Columbia government for property tax refunds and are recorded at their net realizable value. The School records an allowance for doubtful accounts equal to estimated losses that will be increased in the collection of receivables. The estimated losses are based on historical collection experience and the review of the current status of existing receivables. Management believes that all receivables were fully collectible as of June 30, 2020 and 2019.

#### **Due to/from Related-Party, net**

Due to/from related-party represents indirect fees and other transactions with Imagine Schools, Inc. (Imagine) that have not been settled as of year end. As of June 30, 2020, the School recorded a receivable from Imagine related to overpaid indirect fees in the amount of \$83,556. Amounts due to Imagine for unpaid indirect fees as of June 30, 2020, totaled \$65,187.

#### **Property and Equipment**

Property and equipment valued in excess of \$1,000, with an estimated useful life of more than one year, is capitalized and recorded at cost. Depreciation of property and equipment is computed using the straight-line method over the estimated useful life of the asset. Replacements, maintenance, and repairs that do not improve the useful life of an asset are expensed as incurred.

#### **Net Assets**

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 use by the School has been restricted 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 restrictions.

There were no net assets with donor restrictions as of June 30, 2020 and 2019.

#### **Restricted and Unrestricted Support and Revenue**

Contributions received are recorded as net assets without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets, depending on the nature of the restriction.

# **IMAGINE HOPE COMMUNITY CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2020 and 2019**

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

#### **Restricted and Unrestricted Support and Revenue (continued)**

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

#### **Advertising Costs**

Advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2020 and 2019, were \$11,904 and \$20,075, respectively.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets and in the statements of functional expenses. Expenses are charged directly to educational program services and general and administrative based on specific identification, when determinable. Salaries and benefits are charged to programs based on time and effort. 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 and administration. The basis of the allocation for most general and administrative costs is direct salaries, while direct student costs are 100% attributed to educational programs.

#### **Income Taxes**

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The School performed an evaluation of uncertain tax positions for the year ended June 30, 2020, 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, 2020, the statute of limitations for fiscal years 2017 through 2020, 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.

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2020 and 2019

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

#### Adopted Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard was effective for periods beginning after December 15, 2018. The School adopted this standard in fiscal year 2020. The adoption of ASU 2018-08 did not have a material effect on the financial statements

#### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the entity 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 provides further clarity and transition options for adoption of FASB ASU No. 2016-02. These standards will be effective for periods beginning after December 15, 2021.

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

#### Subsequent Events

The School's management evaluated the accompanying financial statements for subsequent events and transactions through November 20, 2020, the date these financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

## IMAGINE HOPE COMMUNITY CHARTER SCHOOL

### Notes to the Financial Statements June 30, 2020 and 2019

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

##### Liquidity and Availability of Resources

The table below presents financial assets available to be used within one year as of June 30, 2020:

Cash	\$	6,127,483
Grants receivable		238,342
Other Receivables		532,395
Due from related party, net		18,369
<b>Total Financial assets available to meet cash needs for general expenses within one year</b>	<b>\$</b>	<b>6,916,589</b>

The School has sufficient financial assets available within one year of June 30, 2020, to satisfy operating expenses. The School has a goal to maintain financial assets on hand to meet at least 60 days of operating expenses. Additionally, its current ratio goal (total current assets to current liabilities) is 1.0. The School has a policy to structure its financial assets to be available for its general expenditures, liabilities and other obligations as they come due. To help manage unanticipated liquidity needs, Imagine Schools, Inc. may loan funds to the School to satisfy operating needs.

#### 3. PROPERTY AND EQUIPMENT

As of June 30, 2020 and 2019, property and equipment consisted of the following:

	2020	2019	Useful Lives
Furniture and equipment	\$ 232,385	\$ 226,928	3 - 10 Years
Computer equipment	391,369	383,265	3 - 5 Years
Software	17,907	17,907	3 - 5 Years
Textbooks	57,627	57,627	3 Years
Leasehold improvements	194,361	158,913	2 - 10 Years
<b>Total</b>	<b>893,649</b>	<b>844,640</b>	
Less: accumulated depreciation	766,515	693,660	
<b>Property and Equipment, Net</b>	<b>\$ 127,134</b>	<b>\$ 150,980</b>	

Depreciation expense was \$72,855 and \$99,361, for the years ended June 30, 2020 and 2019, respectively.

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2020 and 2019

### 4. RELATED-PARTY TRANSACTIONS

The School entered into a charter school operating agreement with Imagine Schools, Inc. (Imagine), on August 22, 2005. The School and Imagine desired to create an enduring educational alliance, whereby the School and Imagine work cooperatively to promote educational excellence and innovation, based on their respective school designs, comprehensive educational programs, and management principles.

The School leases its facilities from an affiliate related to Imagine through common ownership (see Note 5).

The School pays Imagine an indirect cost allocation for the provision of on-going operational and financial support under an operating contract. This payment shall be equal to 12% of the total revenue provided by state and local governments during each fiscal year.

Prior to July 1, 2019, the School also paid a monthly administrative fee of \$2,500 per charter school campus. Included in general and administrative expense is indirect cost allocation expense of \$1,894,394 and \$1,933,667 for the years ended June 30, 2020 and 2019, respectively, and administrative expense of \$60,000 paid to Imagine for the year ended June 30, 2019. As of June 30, 2020 and 2019, the due from/(to) related parties were as follows:

<u>Campus</u>	<u>2020</u>	<u>2019</u>
Lamond	\$ 83,556	\$ -
Tolson	(65,187)	(44,364)
<b>Due from/to related party, net</b>	<b>\$ 18,369</b>	<b>\$ (44,364)</b>

As disclosed in Note 1, to the extent the School does not have sufficient funds to pay operating expenses, Imagine may forward funds to the School to support operations. Imagine is to be reimbursed for these amounts. Imagine does not charge interest on funds advanced to the School.

### 5. BUILDING LEASES AND COMMITMENTS (RELATED-PARTY)

On May 4, 2007, the School entered into a lease agreement for the Tolson Campus, which is located at 2917 8th Street, NE, Washington, DC. The lease for this location was leased from Schoolhouse Finance, LLC (a company related to Imagine Schools, Inc.). This lease began on January 1, 2007. On January 16, 2017, the lease was extended and is scheduled to continue until June 30, 2032. The scheduled base monthly payments on this lease are \$98,782 per month with an increase clause applied to these amounts as described below.

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2020 and 2019

### 5. BUILDING LEASES AND COMMITMENTS (RELATED-PARTY) (continued)

The lease includes an escalation clause requiring increased payments equal to the Consumer Price Index (CPI) increase for the immediately preceding calendar year as reported by the Bureau of Labor Statistics. The commitment payments reflected below use an estimate of 2% per year for the CPI increase. In addition to the base rent, the School is also required to pay all real property taxes and all other taxes and assessments of any kind made upon all or any portion of the leased premises, including improvements, equipment, furniture, fixtures, and personal property.

On August 2, 2007, the School entered into an operating lease agreement with Schoolhouse Finance, LLC for the rental of additional school building space, the Lamond Campus, located at 6200 Kansas Avenue, NE, Washington, DC. Beginning on July 1, 2010, the scheduled base monthly payments on this lease are \$116,079 per month with an escalation clause applied. The escalation clause requires increased payments equal to the CPI increase for the immediately preceding calendar year as reported by the Bureau of Labor Statistics. On January 16, 2017, the lease was extended and is scheduled to continue until June 30, 2029. The commitment payments reflected below include an estimate of 2% per year for the CPI increase.

The future minimum payments on the leases as of June 30, 2020, were as follows:

<u>Year Ended June 30,</u>	<u>Total</u>	<u>Tolson Campus</u>	<u>Lamond Campus</u>
2021	\$ 3,167,698	\$ 1,467,860	\$ 1,699,838
2022	3,231,052	1,497,217	1,733,835
2023	3,295,673	1,527,161	1,768,512
2024	3,361,586	1,557,704	1,803,882
2025	3,428,818	1,588,858	1,839,960
2026 and thereafter	19,783,528	12,048,263	7,735,265
<b>Total</b>	<b>\$ 36,268,355</b>	<b>\$ 19,687,063</b>	<b>\$ 16,581,292</b>

Rent expense totaled \$3,105,586 and \$3,044,693 for the years ended June 30, 2020 and 2019, respectively.



# **IMAGINE HOPE COMMUNITY CHARTER SCHOOL**

## **Notes to the Financial Statements**

**June 30, 2020 and 2019**

### **6. CONTINGENCIES**

#### **Grant**

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.

The School receives a substantial portion of its revenue from the District of Columbia. If a significant reduction in this revenue should occur, it may have a negative effect on the School's programs. During the years ended June 30, 2020 and 2019, the School earned revenue of \$15,637,159 and \$16,070,131, respectively, from the District of Columbia, which was 99% of the total revenue and support, in each year. These amounts are reflected as per pupil allocation, DC facilities allowance, and Federal entitlement and grants in the accompanying statements of activities and change in net assets.

#### **Litigation**

The School may be subject to various claims and legal proceedings covering a wide range of matters that may arise in the ordinary course of its activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the School.

#### **Risks and Uncertainties**

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. As a result, widespread shutdowns of states, cities, schools, and businesses began to take place, impacting the United States as the number of people infected grew at an unprecedented rate. The COVID-19 outbreak is still evolving, and its financial impact remains unknown. The School has taken the impact of COVID-19 into consideration when evaluating impairment to certain assets and enrollment for the 2020-21 school year; however, the School is currently unable to determine the extent of the impact to its future financial condition and operating results.

### **7. RETIREMENT PLAN**

Certain employees of the School are covered by a defined contribution retirement plan. The School is required to contribute a matching contribution at a rate of up to 5% of annual eligible employee compensation. The School's contributions for the years ended June 30, 2020 and 2019, were \$82,151 and \$130,303, respectively.

## **SUPPLEMENTAL SCHEDULES**

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Supplemental Schedule of Revenue and Expenses by Campus For the Year Ended June 30, 2020, with Comparative Totals for 2019

	2020			2019 Total
	Tolson	Lamond	Total	
<b>CHANGE IN NET ASSETS</b>				
<b>WITHOUT DONOR RESTRICTIONS</b>				
Tuition - per pupil	\$ 8,310,063	\$ 4,094,078	\$ 12,404,141	\$ 12,486,599
DC facilities allowance	1,577,455	780,390	2,357,845	2,417,883
Federal entitlements and grants	568,641	306,532	875,173	1,185,438
Student activities	10,496	18,240	28,736	93,949
Other revenue	45,064	80,354	125,418	55,709
<b>Total Revenues and Other Support</b>	<b>10,511,719</b>	<b>5,279,594</b>	<b>15,791,313</b>	<b>16,239,578</b>
<b>Expenses</b>				
Personnel salaries and benefits	5,096,843	3,239,427	8,336,270	7,887,741
Direct student costs	724,175	461,380	1,185,555	1,191,193
Occupancy costs	1,842,090	2,032,309	3,874,399	3,507,449
Office expenses	158,479	79,586	238,065	287,569
General expenses	1,492,160	814,608	2,306,768	2,404,881
<b>Total Expenses</b>	<b>9,313,747</b>	<b>6,627,310</b>	<b>15,941,057</b>	<b>15,278,833</b>
<b>Change in Net Assets</b>	<b>\$ 1,197,972</b>	<b>\$ (1,347,716)</b>	<b>\$ (149,744)</b>	<b>\$ 960,745</b>

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Schedule of Vendors Contracted for Services in Excess of \$25,000 (UNAUDITED) For the Year Ended June 30, 2020

<u>Vendor Name</u>	<u>Service Provided</u>	<u>Amount Paid</u>	<u>Related Party</u>
Schoolhouse Finance	Rent	\$ 3,105,586	Yes
Imagine Schools Indirect Fee	Management Agreement	1,889,775	Yes
Aetna	Medical & Life Insurance	757,040	No
Align Staffing	Temporary Staffing	376,021	No
Imagine	Costs paid by the Mgmt Co.	330,685	Yes
Revolution Foods	Cafeteria Food Provider	325,534	No
Paradigm Therapy Partners	SPED Service	195,169	No
Dell Marketing, L.P.	Computers & equipment	174,236	No
DC Public Charter School Board	Fee	146,039	No
Mutual of Omaha	Dental Insurance	120,452	No
Roth Staffing	Temporary Staffing	85,481	No
UGI Energy Inc.	Electric Service Provider	67,667	No
Staples Advantage	Office supplies, office equipment	56,153	No
Early Autism	SPED Service	44,363	No
Securitas Security Services USA, Inc.	Security Service	38,634	No
CDW Government	Printers & Ink	37,289	No
Waste Management Inc.	Trash collection	32,716	No
KW Mechanical	AC Maintenance & Repairs	30,365	No
Lakeshore Learning Materials	Books & Learning Supplies	27,590	No
SB & Company, LLC	External Auditor	27,100	No
Power School	Parent/student contacting system	25,794	No

## **SINGLE AUDIT**



**S B & C O M P A N Y, L L C**  
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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  
Imagine Hope Community Charter School, Inc.  
d/b/a Imagine Hope Community Charter Schools

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Hope Community Charter School, Inc., d/b/a Imagine Hope Community Charter Schools (the School), which comprise the statement of financial position as of June 30, 2020, 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 November 20, 2020.

***Internal Control over Financial Reporting***

In planning and performing our audit 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 opinion 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.

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

A *deficiency in internal controls* 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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

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.



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### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

### **The School's Response to Findings**

The School's response to the finding identified in our audit is described in the accompanying schedule of corrective action. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal 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 school's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, D.C.  
November 20, 2020

*SB & Company, LLC*



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

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

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

We have audited Hope Community Charter School, Inc., d/b/a Imagine Hope Community Charter School's (the School) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School's major Federal programs for the year ended June 30, 2020. The School's major Federal program is identified in the summary of independent public accountants' 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 the School's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the School's compliance.





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

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2020.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control over Compliance**

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

*A deficiency in internal controls 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 controls over compliance* is a deficiency, or combination of deficiencies in internal controls 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 controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal controls over compliance, yet important enough to merit attention by those charged with governance.



**SB & COMPANY, LLC**  
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Our consideration of internal controls 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 controls 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 controls over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal controls over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-002, that we consider to be a significant deficiency.

The School's response to the internal controls over compliance finding identified in our audit is described in the accompanying corrective action plan. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal controls over compliance is solely to describe the scope of our testing of internal controls 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.  
November 20, 2020

*SB & Company, LLC*

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identification Number</b>	<b>Total Federal Expenditures</b>	<b>Pass-Through to Subrecipients</b>
<b>U.S. Department of Education</b>				
<b><u>Pass-through from D.C. Public Schools</u></b>				
Title I Grants to Local Education Agencies	84.010A	84010A	\$ 271,890	\$ -
Title II - Preparing, Training, and Recruiting High Quality Teachers and Principals	84.367A	84367A	58,945	-
Title III Part A - English Language Acquisition State Grants	84.365A	84365A	-	-
Title IV - Student Support and Academic Enrichment	84.424A	84424A	29,078	-
Special Education - Grants to States	84.027A	A2027A	100,314	-
Special Education Preschool Grants	84.173A	A2173A	1,443	-
DC School Choice Incentive Program	84.370C	Unknown	125,334	-
<b>Total U.S. Department of Education</b>			<b>587,004</b>	<b>-</b>
<b>U.S. Department of Agriculture</b>				
<b><u>Direct Program</u></b>				
Child Nutrition Cluster				
National School Lunch Program	10.555	N/A	158,147	-
School Breakfast Program	10.553	N/A	61,732	-
School Snack Program	10.558	N/A	23,578	-
Summer Food Service Program for Children	10.559	N/A	25,529	-
Donated Commodities (Non-cash Assistance)	10.555	N/A	9,721	-
Child Nutrition Cluster Total			278,707	-
Fresh Fruit and Vegetable Program	10.582	N/A	9,462	-
<b>Total U.S. Department of Agriculture</b>			<b>288,169</b>	<b>-</b>
<b>Total Federal Expenditures</b>			<b>\$ 875,173</b>	<b>\$ -</b>

The accompanying notes are an integral part of this Schedule.

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Imagine Hope Community Charter Schools (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 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 represents all Federal award programs with fiscal year 2020, cash or non-cash expenditure activities. For single audit testing, we tested to ensure coverage of at least 20% of Federally granted funds. Actual coverage is 32%. The major program tested is listed below.

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

Major Program	Federal CFDA Number	Pass Through Number	Federal Expenditures
<b>Child Nutrition Cluster</b>			
National School Lunch Program	10.555	N/A	\$ 158,147
School Breakfast Program	10.553	N/A	61,732
School Snack Program	10.558	N/A	23,578
Summer Food Service Program for Children	10.559	N/A	25,529
Donated Commodities (Non-cash Assistance)	10.555	N/A	9,721
Cluster Total			<u>\$ 278,707</u>

### 2. BASIS OF PRESENTATION

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

# IMAGINE HOPE COMMUNITY CHARTER SCHOOL

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

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

#### Financial Statements

Type of independent public accountants’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

#### Federal Awards

Type of independent public accountants’ report issued on compliance for major programs Unmodified

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes

#### Identification of Major Programs:

Major Program	Federal CFDA Number	Pass Through Number	Federal Expenditures
<b>Child Nutrition Cluster</b>			
National School Lunch Program	10.555	N/A	\$ 158,147
School Breakfast Program	10.553	N/A	61,732
School Snack Program	10.558	N/A	23,578
Summer Food Service Program for Children	10.559	N/A	25,529
Donated Commodities (Non-cash Assistance)	10.555	N/A	9,721
Cluster Total			<u>\$ 278,707</u>

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

Is the School qualified as a low risk auditee? Yes

# **IMAGINE HOPE COMMUNITY CHARTER SCHOOL**

## **Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020**

### **Section II –Financial Statement Findings**

Refer to 2020-001.

### **Section III –Federal Award Findings**

Refer to 2020-002.

# **IMAGINE HOPE COMMUNITY CHARTER SCHOOL**

## **Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020**

### **Finding: 2020-001**

#### **All programs**

#### **Type of Finding – Material Weakness over Financial Reporting**

#### **Repeat Finding: No**

#### ***Criteria***

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

#### ***Condition***

During our audit, we identified several key accounts that had not been reviewed as of June 30, 2020. These accounts included: Accounts receivable, property, plant and equipment, accounts payable and deferred revenue. As a result, the financial statements as of and for the year ended June 30, 2020, required additional time and analysis before the financial statements could be finalized and available for issuance. This also required audit adjustments that had a negative impact on net assets of \$297,500.

#### ***Cause***

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

#### ***Effect***

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

#### ***Recommendation***

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

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

Unknown.

#### ***Managements Response***

Management agrees with the finding. See Schedule of Correction Action Plans.

# **IMAGINE HOPE COMMUNITY CHARTER SCHOOL**

## **Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020**

### **Finding: 2020-002**

**U.S. Department of Education      Child Nutrition Cluster**

**CFDA No. 10.553, 10.555, 10.558 and 10.559**

**Type of Finding – Significant Deficiency over Procurement, Suspension and Debarment**

**Repeat Finding: No**

### ***Criteria***

Per the Uniform Guidance, the School must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. The standards include conducting all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR section 200.319. For acquisitions exceeding the simplified acquisition threshold, the School must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR section 200.320(c); the competitive proposals method under the conditions specified in 2 CFR section 200.320(d); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when certain circumstances are met, in accordance with 2 CFR section 200.320(f).

### ***Condition***

For the one vendor associated with the program, the contract term with the School was expired and subsequently extended without full and open competition or other justification. The School incurred \$325,500 in expenses during the fiscal year with this vendor.

### ***Cause***

The School does not have adequate internal controls over procurement in place to ensure that contracts are entered into in accordance with 2 CFR 200 to provide full and open competition.

### ***Effect***

The School is not in compliance with Federal procurement requirements.

### ***Recommendation***

We recommend the School continue to reinforce its processes and procedures around procurement and to ensure they maintain adequate documentation to support that the Federal laws and procedures were followed for procurement, suspension and debarment.

### ***Questioned Costs***

Unknown.

### ***Managements Response***

Management agrees with the finding. See Schedule of Correction Action Plans.





# Hope Community Public Charter School

*Developing Character, Enriching Minds*

## **Finding 2020-001     Material Weakness over Financial Reporting**

### ***Management Response***

The School experienced turnover that affected the financial close process. New key personnel have been hired and intended to address areas of control weakness and mitigate its occurrence.

We immediately began coordinating internally and with an external third-party bookkeeper in devising monthly schedules and a formalized closing process. We will also adopt audit recommendations for key accounts to include:

- Creating separate accounts to track property tax and Imagine related party receivables/payable.
- Ensuring the accuracy of the fixed asset schedule and the capitalization policy is followed.

### ***Person Responsible for Corrective Action***

Director of Operations

### ***Planned Implementation Date***

Formal policies and procedures will be drafted and implemented by January 31, 2021.

## **Finding: 2020-002     Significant Deficiency over Procurement, Suspension and Debarment**

### ***Management Response***

The School does have processes and procedures around procurement however, our processes, procedures and training did not properly incorporate a sufficient understanding of the CFR sections mentioned in the finding. The new Director of Operations intends to increase the understanding of these provisions and to provide close oversight of this important area in the future.

### ***Person Responsible for Corrective Action***

Director of Operations

### ***Planned Implementation Date***

Director of Operations will identify the appropriate professional development and training for all staff involved in the process. Formal policies and procedures will be drafted and implemented by January 31, 2021.

**Hope Community Public Charter School Lamond & Tolson**

[www.HopePCS.org](http://www.HopePCS.org)

6200 Kansas Ave. NE Washington, DC 20011

2917 8th Street NE Washington, DC 20017

## **IMAGINE HOPE COMMUNITY CHARTER SCHOOL**

### **Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2020**

#### **Finding: 2019-001**

#### **Type of Finding – Significant Deficiency and Noncompliance with Contract Provisions**

#### **Repeat Finding: No**

##### ***Criteria***

In accordance with Section 2.3 of the Charter School Agreement (the Agreement) between the School and the District of Columbia Public Charter School Board (DC PCSB), enrollment shall only be open to any pupil in pre-kindergarten through eighth grade, who reside in the District of Columbia. Students who are not residents of the District of Columbia may not be enrolled.

##### ***Condition***

During our audit, it came to our attention that there were students from the State of Maryland enrolled for school year 2018-19.

##### ***Cause***

The School did not have adequate internal controls over compliance in place to ensure the review of the eligibility requirements in accordance with the terms set-forth in the Agreement with DC PCSB.

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

Improper eligibility procedures could allow for errors in admission of students in accordance with regulations. Additionally, noncompliance with the terms set-forth in the Agreement could jeopardize the School's charter status and result in liabilities to the DC PCSB.

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

We recommend the School continue to reinforce its processes and procedures to ensure eligibility and enrollment is adequately reviewed by appropriate supervisory personnel. The enrollment of eligible students is integral in maintaining a good status with the DC PCSB and in determining proper revenue recognition for the School.

##### ***2020 Status***

OSSE completed its annual enrollment audit in fiscal year 2020, noting there were two (2) unverified residents at the Tolson campus. Based on discussion with management, the two (2) students were not enrolled during the year. Finding is resolved.