HILLSBORO CHARTER ACADEMY
(A COMPONENT UNIT OF LOUDOUN COUNTY VIRGINIA PUBLIC SCHOOLS)

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021
HILLSBORO CHARTER ACADEMY

(A COMPONENT UNIT OF LOUDOUN COUNTY VIRGINIA PUBLIC SCHOOLS)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021
HILLSBORO CHARTER ACADEMY
(A COMPONENT UNIT OF LOUDOUN COUNTY VIRGINIA PUBLIC SCHOOLS)

BOARD MEMBERS

President

Joe Luppino-Esposito

Members

Sean Biehl
Brian King
Erika Skougard
Nicki Bazaco
Pooja Aggarwal
Tarryn Jonker
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INDEPENDENT AUDITORS’ REPORT

TO THE BOARD OF THE HILLSBORO CHARTER ACADEMY
(A COMPONENT UNIT OF LOUDOUN COUNTY VIRGINIA PUBLIC SCHOOLS)
MIDDLEBURG, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hillsboro Charter Academy (a component unit of Loudoun County Virginia Public Schools) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hillsboro Charter Academy, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matters

Required Supplementary Information

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2021, on our consideration of Hillsboro Charter Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hillsboro Charter Academy’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hillsboro Charter Academy’s internal control over financial reporting and compliance.

Staunton, Virginia
October 22, 2021
BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS
HILLSBORO CHARTER ACADEMY
(A Component Unit of Loudoun County Virginia Public Schools)

Statement of Net Position
June 30, 2021

<table>
<thead>
<tr>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
</tr>
<tr>
<td>Due from primary government</td>
</tr>
<tr>
<td>Total assets</td>
</tr>
<tr>
<td>LIABILITIES</td>
</tr>
<tr>
<td>Accounts payable</td>
</tr>
<tr>
<td>Total liabilities</td>
</tr>
<tr>
<td>NET POSITION</td>
</tr>
<tr>
<td>Unrestricted</td>
</tr>
<tr>
<td>Total net position</td>
</tr>
</tbody>
</table>

The notes to financial statements are an integral part of this statement.
HILLSBORO CHARTER ACADEMY
(A Component Unit of Loudoun County Virginia Public Schools)

Statement of Activities
For the Year Ended June 30, 2021

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>$2,412,396</td>
<td>$4,127</td>
<td>$2,759,329</td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>$2,412,396</td>
<td>$4,127</td>
<td>$2,759,329</td>
</tr>
</tbody>
</table>

General revenues:
- Unrestricted revenues from use of money and property
- Fundraising
- PPP loan forgiveness
- Total general revenues
- Change in net position
- Net position - beginning
- Net position - ending

The notes to financial statements are an integral part of this statement.
### Exhibit 2

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 351,060</td>
<td>$ 351,060</td>
</tr>
<tr>
<td>$ 351,060</td>
<td>$ 351,060</td>
</tr>
<tr>
<td>$ 3,239</td>
<td>$ 3,239</td>
</tr>
<tr>
<td>49,634</td>
<td>49,634</td>
</tr>
<tr>
<td>83,900</td>
<td>83,900</td>
</tr>
<tr>
<td>$ 136,773</td>
<td>$ 136,773</td>
</tr>
<tr>
<td>$ 487,833</td>
<td>$ 487,833</td>
</tr>
<tr>
<td>500,574</td>
<td>500,574</td>
</tr>
<tr>
<td>$ 988,407</td>
<td>$ 988,407</td>
</tr>
</tbody>
</table>
FUND FINANCIAL STATEMENTS
Balance Sheet
Governmental Funds
June 30, 2021

ASSETS

Current assets:
Cash and cash equivalents $ 859,588
Due from primary government 138,794
Total assets $ 998,382

LIABILITIES

Current liabilities:
Accounts payable $ 9,975
Total liabilities $ 9,975

FUND BALANCES

Unassigned $ 988,407
Total fund balances $ 988,407
Total liabilities and fund balances $ 998,382

The notes to financial statements are an integral part of this statement.
## Statement of Revenues, Expenditures and Changes in Fund Balance
### Governmental Funds
#### For the Year Ended June 30, 2021

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
</tr>
<tr>
<td>Student fees</td>
<td>$ 4,127</td>
</tr>
<tr>
<td>Donations and contributions</td>
<td>3,045</td>
</tr>
<tr>
<td>Fundraising</td>
<td>49,634</td>
</tr>
<tr>
<td>Revenue from use of money and property</td>
<td>3,239</td>
</tr>
<tr>
<td>Contribution from Loudoun County Public Schools</td>
<td>2,657,559</td>
</tr>
<tr>
<td>CARES funding</td>
<td>98,725</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$ 2,816,329</td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
</tr>
<tr>
<td>Education:</td>
<td></td>
</tr>
<tr>
<td>Instructional</td>
<td>$ 1,528,127</td>
</tr>
<tr>
<td>Administration and health services</td>
<td>296,444</td>
</tr>
<tr>
<td>Operation and maintenance</td>
<td>579,738</td>
</tr>
<tr>
<td>Fundraising</td>
<td>6,394</td>
</tr>
<tr>
<td>Food services</td>
<td>1,693</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$ 2,412,396</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over expenditures</td>
<td>$ 403,933</td>
</tr>
<tr>
<td>Net change in fund balance</td>
<td>$ 403,933</td>
</tr>
<tr>
<td>Fund balance, beginning of year</td>
<td>584,474</td>
</tr>
<tr>
<td>Fund balance, end of year</td>
<td>$ 988,407</td>
</tr>
</tbody>
</table>

The notes to financial statements are an integral part of this statement.
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds $ 403,933

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

    PPP loan forgiveness 83,900

Change in net position of governmental activities $ 487,833

The notes to financial statements are an integral part of this statement.
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

County of Loudoun, Virginia Public Schools entered into an agreement with Hillsboro Charter Academy (the School) dated May 19, 2014, to operate a charter school pursuant to the provisions of Article 1.2 of Chapter 13 of Title 22.1, Code of Virginia. It is incorporated as a Virginia nonprofit corporation with an effective date of January 16, 2014. Virginia Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. The initial term of the contract is for three years expiring on June 30, 2021 and was extended through June 30, 2022. Loudoun County Virginia Public Schools will provide the School with an annualized per pupil cost amount based on the average daily membership.

Charter schools are funded similarly to other public schools in that the state and local funds are allocated for each enrolled student. Public funds are not provided for facilities. Charter schools may charge for selected additional costs consistent with those permitted by other public schools. Because a charter school receives local, state and federal funds they may not charge tuition.

B. Basis of Accounting:

The School’s financial statements have been prepared under the accrual basis of accounting in conformity with accounting principles generally accepted in the United States as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

C. Financial Reporting Entity:

A separate report is prepared for Loudoun County Virginia Public Schools (LCPS) which includes all agencies, boards, Schools, and authorities over which LCPS exercises or has the ability to exercise oversight authority. The School is a discretely presented component unit of LCPS and is included in the financial statements of LCPS.

D. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the School. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School does not have any business-type activities to report.

The statement of net position is designed to display the financial position of the School (governmental activities). The net position of a government will be broken down into three categories — 1) net investment in capital assets; 2) restricted; and, 3) unrestricted.

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
D. Government-wide and Fund Financial Statements: (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The School did not have any fiduciary funds to report in FY 2021.

E. Measurement Focus, Basis of Accounting, and Financial Statements Presentation:

The School’s government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities reflects both the gross and net cost per functional category (education) which is otherwise being supported by general government revenues (certain intergovernmental revenues, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (education).

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.
In the fund financial statements, financial transactions and accounts of the School are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

   Governmental Funds are those through which most governmental functions typically are financed. The School reports the following governmental funds:

   a. General Fund

   The General Fund is the primary operating fund of the School. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from local contributions, state and federal distributions, contributions, and interest income.

2. Cash and Cash Equivalents

   The School’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. At June 30, 2021, the School’s cash and cash equivalents were deposited in one financial institution. All balances were insured under the Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000 per financial institution.

   The School has no investments as of June 30, 2021.

3. Use of Estimates

   The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Measurement Focus, Basis of Accounting, and Financial Statements Presentation: (Continued)

4. Capital Assets

The School has no capital assets. All land, building and equipment is owned and reported by Loudoun County Virginia Public Schools.

5. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any deferred outflows of resources as of June 30, 2021.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any deferred inflows of resources as of June 30, 2021.

7. Fund Balance

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.
NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Measurement Focus, Basis of Accounting, and Financial Statements Presentation: (Continued)

7. Fund Balance (continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the School’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

8. Income Taxes

The School qualifies as a tax exempt organization under Section 501(c) (3) of the Internal Revenue Code. In addition, the School qualifies for the charitable contribution deduction under section 170(b) (1) (A) (ii) and has been classified as an organization that is not a private foundation under Section 509 (a) (2).

Accounting principles generally accepted in the United States of America require management to evaluate the tax positions taken by the School and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken or expected to be taken by the School, and has concluded that as of June 30, 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or (asset) or disclosure in the financial statements.

9. Budgetary Comparison Statement

The School is not required to adopt a legally binding budget; therefore no budgetary comparison statement of the General Fund has been presented.

NOTE 2—DUE FROM PRIMARY GOVERNMENT:

Amounts due from Loudoun County Public Schools at June 30, 2021 totaled $138,974.

NOTE 3—LEASES:

The facilities used to provide educational services were provided under a current operating lease arrangement with Loudoun County Virginia Public Schools. Under the terms of the lease, the School pays rent of $1 per year on the lease to LCPS which expired June 30, 2017, but was renewed through June 30, 2021. The lease is subject to annual renewal. The fair market rental value of $287,843 is recorded in the financial statements as rent expenditures and an offsetting contribution from Loudoun County Virginia Public Schools.
NOTE 4—PPP LOAN FORGIVENESS:

In response to the economic instability caused by COVID-19, the “CARES Act” was passed by Congress and signed into law by the President on March 27, 2021. The Paycheck Protection Program was a component of the CARES Act and provided for a loan (“PPP loan”) to provide a direct incentive for employers to keep their employees on the payroll. A PPP loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act. On April 20, 2021, the School received a PPP loan in the amount of $83,900 with a maturity date of April 20, 2022 and an interest rate of 1%. This loan was forgiven in fiscal year 2021.

NOTE 5—CONCENTRATIONS:

During the year ended June 30, 2021, 97% of operating revenues were received from per-pupil funding provided by Loudoun County Virginia Public Schools. The per-pupil rate is set annually by LCPS.

During the year ended June 30, 2021, Loudoun County Virginia Public Schools paid on the School’s behalf $1,268,657 for salaries, fringe benefits, transportation and education materials. These costs are recorded in the accompanying financial statements. However, Loudoun County Virginia Public Schools is legally responsible for these employees and accordingly disclosures regarding pension and retirement expenditures and liabilities are not recorded in the accompanying financial statements of Hillsboro Charter Academy. Additionally, $98,725 in CARES act funding was passed through from LCPS in FY 2021.

NOTE 6—DATE OF MANAGEMENT’S REVIEW:

In preparing these financial statements, management of the School has evaluated events and transactions for potential recognition or disclosure through October 22, 2021, the date the financial statements were available to be issued.
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE BOARD OF THE HILLSBORO CHARTER ACADEMY (A COMPONENT UNIT OF LOUDOUN COUNTY VIRGINIA PUBLIC SCHOOLS) MIDDLEBURG, VIRGINIA

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Hillsboro Charter Academy (a component unit of Loudoun County Virginia Public Schools) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated October 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hillsboro Charter Academy’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hillsboro Charter Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of Hillsboro Charter Academy’s internal control.

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

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

Compliance and Other Matters

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control 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 control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Staunton, Virginia
October 22, 2021