



## Askey, Askey & Associates, CPA, LLC

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December 1, 2020

Ms. Sharon Norris, Treasurer  
Chesapeake Charter School Alliance, Ltd.  
20945 Great Mills Road, Suite 501  
Lexington Park, MD 20653

Dear Ms. Norris,

Enclosed please find:

- 1) Three bound copies and one unbound copy of financial statements for **Chesapeake Charter School Alliance, Ltd.** for the years ended June 30, 2020 and 2019; and
- 2) A Communication With Those Charged With Governance letter.

Sincerely,

*Christa Hood, CPA*

Christa Hood, CPA

Enclosures



## Askey, Askey & Associates, CPA, LLC

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### Communication with Those Charged with Governance

November 12, 2020

To the Board of Directors and Management of  
Chesapeake Charter School Alliance, Ltd.  
20945 Great Mills Road  
Lexington Park, Maryland 20653

We have audited the financial statements of Chesapeake Charter School Alliance, LTD. for the year ended June 30, 2020, and we have issued our report thereon dated November 12, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 8, 2020. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Chesapeake Charter School Alliance, LTD. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the school building usage and expenses related to the calculation of unrelated business income tax and allocation of functional business expenses is based on the square footage of the building, adjusted for the portion of the building occupied for unrelated business purposes. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached adjusting journal entry report lists material misstatements detected as a result of audit procedures that were corrected by management.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 12, 2020.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of Chesapeake Charter School Alliance, LTD. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Askey, Askey & Associates, CPA, LLC*

Askey, Askey & Associates, CPA, LLC

**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2020 and 2019**

## TABLE OF CONTENTS

Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position (Exhibit A).....	3
Statement of Activities and Changes in Net Assets (Exhibit B).....	4
Statement of Functional Expenses (Exhibit C).....	5
Statements of Cash Flows (Exhibit D).....	6
Notes to Financial Statements.....	7-12
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 <i>Government Auditing Standards</i> .....	13-14



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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Chesapeake Charter School Alliance, Ltd.  
Lexington Park, Maryland

We have audited the accompanying financial statements of Chesapeake Charter School Alliance, Ltd. (a nonprofit organization), 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.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chesapeake Charter School Alliance, Ltd. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Chesapeake Charter School Alliance, Ltd.'s June 30, 2019, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, on our consideration of Chesapeake Charter School Alliance, Ltd.'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 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 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 Chesapeake Charter School Alliance, Ltd.'s internal control over financial reporting and compliance.

*Askey, Askey & Associates, CPA, LLC*  
Askey, Askey & Associates CPA, LLC

Leonardtown, Maryland  
November 12, 2020

**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,471,810	\$ 1,282,418
Accounts Receivable	54,807	81,144
Prepaid Expenses	2,856	9,332
<b>Total Current Assets</b>	1,529,473	1,372,894
USDA Reserves	172,576	137,954
Construction in Progress		27,523
Property and Equipment (Net)	6,760,957	6,761,507
<b>Total Assets</b>	\$ 8,463,006	\$ 8,299,878
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 1,079,465	\$ 980,258
Deferred Revenue	918	5,461
Note Payable - Current Portion	103,019	99,491
<b>Total Current Liabilities</b>	1,183,402	1,085,210
<b>Long-Term Liabilities</b>		
Note Payable - Long Term Portion	6,808,613	6,911,632
<b>Total Liabilities</b>	7,992,015	7,996,842
<b>Net Assets</b>		
Without Donor Restrictions	466,860	298,036
With Donor Restrictions	4,131	5,000
<b>Total Net Assets</b>	470,991	303,036
<b>Total Liabilities and Net Assets</b>	\$ 8,463,006	\$ 8,299,878

The Accompanying Notes to Financial Statements  
Are an Integral Part of These Financial Statements



**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD**  
**Statements of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2020**  
**with Summarized Financial Information for the Year Ended June 30, 2019**

	2020			2019
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Total
<b>Support and Revenue</b>				
Government Support	\$ 5,293,596	\$	\$ 5,293,596	\$ 4,789,532
Grants	245,820		245,820	190,216
Rental Income	138,798		138,798	126,541
Special Events and Fundraising	46,682		46,682	50,367
Contributions	37,074		37,074	47,032
Interest Income	1,724		1,724	1,921
Other Income	695		695	330
Net Assets Released from Restriction	869	(869)		
<b>Total Support and Revenue</b>	<b>5,765,258</b>	<b>(869)</b>	<b>5,764,389</b>	<b>5,205,939</b>
<b>Expenses</b>				
School Program	4,922,488		4,922,488	4,390,658
Management and General	492,036		492,036	582,815
Facility Rental	128,078		128,078	97,736
Fundraising	53,832		53,832	52,773
<b>Total Expenses</b>	<b>5,596,434</b>		<b>5,596,434</b>	<b>5,123,982</b>
<b>Change in Net Assets</b>	168,824	(869)	167,955	81,957
Net Assets at Beginning of Year	298,036	5,000	303,036	221,079
<b>Net Assets at End of Year</b>	<b>\$ 466,860</b>	<b>\$ 4,131</b>	<b>\$ 470,991</b>	<b>\$ 303,036</b>

The Accompanying Notes to Financial Statements  
Are an Integral Part of These Financial Statements

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD.

Statement of Functional Expenses

For the Year Ended June 30, 2020

with Summarized Financial Information for the Year Ended June 30, 2019

	2020				2019	
	School Program	Supporting Activities		Fundraising	Total	Total
		Management and General	Facility Rental			
Payroll and Related Expenses - School	\$ 3,957,831	\$ 364,407	\$	\$ 38,446	\$ 4,360,684	\$ 3,992,908
Facility Related Expenses	203,398	37,243	55,663	152	296,456	160,649
Interest Expense	180,162	34,433	29,356	142	244,093	247,500
Transportation Expense	190,950				190,950	190,866
Depreciation Expense	133,870	25,586	21,813	104	181,373	166,137
School Programs	152,677				152,677	134,694
Books, Materials, and Supplies	68,766				68,766	82,933
Payroll and Related Expenses - Alliance	15,132	2,892	18,036	12	36,072	24,762
Insurance Expense	19,702	3,766	3,210	15	26,693	93,432
Professional Fees		18,050			18,050	15,652
Fundraising Expenses				14,552	14,552	3,947
Miscellaneous Expenses		5,659		409	6,068	10,502
Conferences, Conventions & Meetings						
<b>TOTAL</b>	<b>\$ 4,922,488</b>	<b>\$ 492,036</b>	<b>\$ 128,078</b>	<b>\$ 53,832</b>	<b>\$ 5,596,434</b>	<b>\$ 5,123,982</b>

The Accompanying Notes to Financial Statements  
Are an Integral Part of These Financial Statements

**EXHIBIT D**

**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 167,955	\$ 81,957
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	181,373	166,137
(Increase) Decrease in Operating Assets:		
Accounts Receivable	26,337	(78,307)
Prepaid Expenses	6,476	(3,727)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	99,207	31,742
Deferred Revenue	(4,543)	855
<b>Net Cash Provided By Operating Activities</b>	<b>476,805</b>	<b>198,657</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of Property and Equipment	(153,300)	(104,723)
Investment in USDA Reserves	(34,622)	(34,593)
Investment in Construction in Progress	-	(27,523)
<b>Net Cash Used In Investing Activities</b>	<b>(187,922)</b>	<b>(166,839)</b>
<b>Cash Flows From Financing Activities</b>		
Principal Payments on Long-Term Debt	(99,491)	(96,084)
<b>Net Change in Cash and Cash Equivalents</b>	<b>189,392</b>	<b>(64,266)</b>
Cash and Cash Equivalents at Beginning of Year	1,282,418	1,346,684
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,471,810</b>	<b>\$ 1,282,418</b>
<b>Supplemental Disclosures</b>		
Cash Paid for Interest	\$ 244,093	\$ 247,500

The Accompanying Notes to Financial Statements  
Are an Integral Part of These Financial Statements

**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Organization***

Chesapeake Charter School Alliance, LTD (the "Alliance") was incorporated in the state of Maryland on May 19, 2004. The Alliance was formed for the following purposes:

- a. To educate and organize the citizens of Southern Maryland to understand, appreciate, and support establishment of a charter public school in Southern Maryland to be known as the Chesapeake Public Charter School ("the School").
- b. To inform the public in order to increase public awareness of the School.
- c. To plan and implement educational activities to promote understanding of the vision of the School among members of the Alliance.
- d. To conduct fund-raising activities solely for financial support of the School.
- e. To solicit and accept grants, donations and charitable contributions from various sources for such funding (including foundations and charitable and governmental agencies, businesses and individuals) to be maintained in accounts of the Alliance and to be used solely for the educational and the charitable purposes of the Alliance, and for the financial support of the proposed School, and not for any individual or commercial purposes.

***Basis of Accounting***

The financial statements of the Alliance have been prepared in accordance with U.S. generally accepted accounting principles on the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

***Basis of Presentation and Contributions***

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the

Alliance. The Alliance's board may designate assets without restrictions for specific operational purposes from time to time.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

### ***Cash and Cash Equivalentents***

For purposes of the statement of cash flows, cash and cash equivalentents consist of money held in checking, savings, and certificate of deposit accounts.

The Alliance maintains bank accounts at financial institutions which are federally insured. Two of the Alliance's accounts are secured by the bank with collateral whose market value is at least equal to the deposits. At various times during the years ended June 30, 2020, and June 30, 2019, the Alliance maintained cash-in-bank balances that were in excess of the federally insured limit and collateral. Amounts held in excess of the federally insured limit at June 30, 2020 and 2019, were approximately \$90,300 and \$54,000, respectively.

### ***Accounts Receivable***

Accounts receivable primarily consists of amounts due from funding agencies under the terms of grant agreements. Management believes that this amount is fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2020 and 2019.

### ***Property and Equipment***

Property and equipment acquisitions over \$1,000 are capitalized and carried at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line

method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values and reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

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

The costs of providing the various programs and other supporting activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any specific function, but provide for the overall support and direction of the Alliance. Payroll and related expenses are allocated in accordance with respective positions held. Facility related expenses, insurance, interest, and depreciation expense is allocated based on building square footage percentage and purpose of use directly identified. For the years ending June 30, 2020, and June 30, 2019, the Alliance's program and supporting activities are as follows:

**School Program** – costs directly and indirectly related to the operation of the Chesapeake Public Charter School.

**Management and General** – costs directly and indirectly related to the administrative functions of the Alliance.

**Facility Rental** – costs directly and indirectly related to the rental of the Alliance's facilities to unrelated tenants.

**Fundraising** – costs directly and indirectly related to the Alliance's fundraising efforts.

### ***Income Taxes***

The Alliance was incorporated and is operated as a nonprofit organization. The Alliance has obtained a tax determination letter from the Internal Revenue Service stating that the Alliance is exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. As such, the Alliance is exempt from paying federal income tax on any income other than unrelated business income. During the years ending June 30, 2020 and June 30, 2019, the Alliance earned unrelated business income of approximately \$3,290 and \$19,700, respectively from the debt-financed rental of a portion of its facilities. There was no federal or state income tax expense for the years ended June 30, 2020 and 2019, as the Alliance met the 85% program usage exemption. The Alliance's federal information returns are generally subject to examination by the Internal Revenue Service for three years after the date they are filed.

### ***Use of Estimates***

The preparation of financial statements in conformity with 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.

## 2. *LIQUIDITY AND AVAILABILITY OF RESOURCES*

The liquidity disclosure required by GAAP are intended to help both users and preparers of financial statements understand how restrictions or limits imposed by donors, grantors, laws, contracts, and governing boards affect the Alliance's liquidity.

The Alliance's financial assets available within one year of the statement of financial position date for general expenditure as of June 30, 2020 are as follows:

Financial assets at year-end	\$	8,463,006
Less those unavailable for general expenditures within one year, due to:		
Property and Equipment, Net		(6,760,957)
USDA Reserves		(172,576)
Net Assets with Donor Restrictions		<u>(4,131)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>1,525,342</u>

The Alliance has a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## 3. *PROPERTY AND EQUIPMENT*

Property and equipment at June 30, 2020 and June 30, 2019, consists of the following:

	Estimated Useful Lives in years	2020	2019
Land		\$ 956,838	\$ 956,838
Building	39	5,866,379	5,866,379
Building Improvements	39	645,771	538,999
Furniture and Equipment	5	<u>121,980</u>	<u>47,929</u>
		7,590,968	7,410,145
Less Accumulated Depreciation		<u>(830,011)</u>	<u>(648,638)</u>
Property and Equipment, Net		<u>\$ 6,760,957</u>	<u>\$ 6,761,507</u>

Depreciation expense for the years ending June 30, 2020 and 2019, was \$181,373 and \$166,137, respectively.

During the year ended June 30, 2019, the Alliance incurred renovation expenses related to their building in the amount of \$27,523, which is classified as construction in progress on the statement of financial position. The renovations were completed in December 2019 and added to Building Improvements.

**4. RELATED PARTY TRANSACTIONS AND CONCENTRATIONS**

The Chesapeake Public Charter School ("the School") was founded by the Alliance. The School's teachers are employees of the St. Mary's County School Board. The School's vision is to provide a safe and joyful atmosphere which includes compassion and respect for others, and where students become critical thinkers, life-long learners and global citizens. The School's mission is to provide a rigorous, creative and diverse learning environment where everyone comes together to develop confident and self-motivated students. The St. Mary's County School Board provides significant government funding to the Alliance. A significant decline in the level of funding, if it were to occur, could have a significant impact on the Alliance's operations. Government support to the Alliance from the St. Mary's County School Board was \$5,293,596 and \$4,789,532, for the years ending June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the Alliance owed \$1,074,040 and \$956,248, respectively, in accounts payable and accrued expenses to the St. Mary's County School Board.

The School operates using assets to which the St. Mary's County School Board has reversionary title since the assets were purchased with St. Mary's County School Board funding. These assets have not been recorded in the financial statements as there is no means of estimating their fair market value or original cost basis.

**5. NOTES PAYABLE**

The Alliance has a note payable to the United States Department of Agriculture totaling \$7,200,000. The loan was used to purchase, and is secured by, real property in Great Mills, Maryland. The 40-year loan bears interest at 3.50%, is payable in quarterly installments of \$85,896 beginning in September 2017, and matures in June 2055. The balance of the loan at June 30, 2020 and 2019, was \$6,911,632 and \$7,011,123, respectively. Maturities of the loan are as follows for the future years ending June 30:

2021	103,019
2022	106,673
2023	110,455
2024	114,372
2025	118,428
Thereafter	<u>6,358,685</u>
Total	6,911,632
Less: Current Portion	<u>(103,019)</u>
Long-term Portion	<u>\$6,808,613</u>



Total interest expense related to the above note payable was \$244,093 and \$247,500, respectively, for the years ending June 30, 2020 and 2019. The note payable agreement requires that the Alliance maintain and contribute to a reserve account. Annual deposits to the reserve account totaling \$34,358, must be made until the total deposits in the reserve account equal \$343,584. At June 30, 2020 and 2019, the reserve account balance was \$172,576 and \$137,954, respectively.

#### **6. *NET ASSETS WITH DONOR RESTRICTIONS***

The Alliance has established a building fund to be used specifically for the costs of acquiring, expanding, and maintaining the current facilities of the School. Donations to the building fund are restricted by the donors to be used specifically for the building project. There were no net assets with donor restrictions related to the building fund at June 30, 2020 or 2019.

During the year ended June 30, 2019, the Alliance received funds to be used specifically for an after school program. At June 30, 2020, net assets with donor restrictions related to this program totaled \$4,131.

#### **7. *FUTURE MINIMUM LEASE RECEIPTS***

The Alliance leases certain portions of their building to multiple tenants under various operating leases with terms ranging from one to three years. Aggregate future minimum lease payments to be received by the Alliance under the terms of these leases total \$31,617 for the year ended June 30, 2021.

#### **8. *SUBSEQUENT EVENTS***

On March 11, 2020, the World Health Organization (“WHO”) recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary site closures, and wide-sweeping stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the areas affecting the Alliance, particularly the School’s operations. The Fall 2020 semester began with remote learning and as of November 12, 2020, is transitioning to a hybrid learning environment with both remote and in-person options. The extent of the impact of COVID-19 on our operations will depend on future developments, including the duration and spread of the outbreak.

Management has considered and evaluated subsequent events through November 12, 2020, the date the financial statements were available to be issued.



## Askey, Askey & Associates, CPA, LLC

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### 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 Directors of  
Chesapeake Charter School Alliance, Ltd.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chesapeake Charter School Alliance, Ltd. (a nonprofit organization), 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 12, 2020.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chesapeake Charter School Alliance, Ltd.'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 Chesapeake Charter School Alliance, Ltd.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Chesapeake Charter School Alliance, Ltd.'s internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chesapeake Charter School Alliance, Ltd.'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Askey, Askey & Associates, CPA, LLC*  
CERTIFIED PUBLIC ACCOUNTANTS

Leonardtown, Maryland  
November 12, 2020