

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

**FOR THE YEARS ENDED  
JUNE 30, 2012 AND 2011**

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**INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

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

We have compiled the accompanying statement of financial position of Chesapeake Charter School Alliance, LTD (a nonprofit organization) as of June 30, 2012, and the related statements of activities and changes in net assets and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America. The 2011 financial statements of Chesapeake Charter School Alliance, LTD's were compiled by other accountants, whose report dated February 28, 2012, stated that they have not audited or reviewed the 2011 financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the 2012 compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

*Askey, Askey and Associates*  
CERTIFIED PUBLIC ACCOUNTANTS

Leonardtown, Maryland  
September 21, 2012

## EXHIBIT A

**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD**  
**Statements of Financial Position**  
**June 30, 2012 and 2011**

	Assets	2012	2011
<b>Current Assets</b>			
Cash and Cash Equivalents		\$ 93,144	\$ 89,520
Prepaid Expenses		39,583	
<b>Total Current Assets</b>		<u>132,727</u>	<u>89,520</u>
<b>Property and Equipment, Net of Accumulated Depreciation</b>		<u>33</u>	<u>115</u>
<b>Total Assets</b>		<u>\$ 132,760</u>	<u>\$ 89,635</u>
	<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>			
Accounts Payable		\$ 500	\$ 1,421
Deferred Revenue		39,583	
<b>Total Current Liabilities</b>		<u>40,083</u>	<u>1,421</u>
<b>Net Assets</b>			
Unrestricted		92,677	88,106
Temporarily Restricted			108
<b>Total Net Assets</b>		<u>92,677</u>	<u>88,214</u>
<b>Total Liabilities and Net Assets</b>		<u>\$ 132,760</u>	<u>\$ 89,635</u>

See Accompanying Notes and Accountants' Report

## CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD

## Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2012

(with Summarized Comparative Financial Information for the Year Ended June 30, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	
<b>Support and Revenue</b>				
Government Support	\$ 447,700	\$	\$ 447,700	\$ 440,000
Special Events	76,199		76,199	69,472
Contributions	15,736		15,736	14,485
Indirect Public Support	8,022		8,022	8,557
Grant Revenue	967		967	
Membership Dues	320		320	360
Interest and Dividends	249		249	310
Gain (Loss) on Sale of Assets				59
Net Assets Released from Restrictions	108	(108)		
<b>Total Support and Revenue</b>	<u>549,301</u>	<u>(108)</u>	<u>549,193</u>	<u>533,243</u>
<b>Expenses</b>				
<b>Program Services</b>				
Educational Facility	447,700		447,700	440,000
School Programs	31,263		31,263	18,187
School Insurance	11,944		11,944	11,954
Books and Materials	5,774		5,774	8,080
Conference, Convention and Meetings	1,241		1,241	4,084
Advertising	244		244	
<b>Total Program Services</b>	<u>498,166</u>		<u>498,166</u>	<u>482,305</u>
<b>Fundraising</b>	<u>37,369</u>		<u>37,369</u>	<u>37,831</u>
<b>Management and General</b>				
Professional Fees	7,263		7,263	7,597
Dues and Subscriptions	1,333		1,333	1,326
Bank Fees	274		274	224
Postage and Mailing	142		142	159
Supplies	91		91	250
Depreciation	82		82	255
Personal Property Taxes	10		10	14
<b>Total Management and General</b>	<u>9,195</u>		<u>9,195</u>	<u>9,825</u>
<b>Total Expenses</b>	<u>544,730</u>		<u>544,730</u>	<u>529,961</u>
<b>Increase (Decrease) in Net Assets</b>	4,571	(108)	4,463	3,282
Net Assets at Beginning of Year	<u>88,106</u>	<u>108</u>	<u>88,214</u>	<u>84,932</u>
<b>Net Assets at End of Year</b>	<u>\$ 92,677</u>	<u>\$</u>	<u>\$ 92,677</u>	<u>\$ 88,214</u>

See Accompanying Notes and Accountants' Report

**EXHIBIT C**

**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2012 and 2011**

	2012	2011
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 4,463	\$ 3,283
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	82	255
Gain (Loss) on Sale of Assets		(59)
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	(39,583)	
Promises to Give		790
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(921)	1,042
Deferred Revenue	39,583	
	3,624	5,311
<b>Net Cash Provided By Operating Activities</b>	<b>3,624</b>	<b>5,311</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from Sale of Property and Equipment		249
	3,624	5,560
<b>Increase in Cash and Cash Equivalents</b>	<b>3,624</b>	<b>5,560</b>
Cash and Cash Equivalents at Beginning of Year	89,520	83,960
	89,520	83,960
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 93,144</b>	<b>\$ 89,520</b>

See Accompanying Notes and Accountants' Report

**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**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***

Financial statement presentation follows the requirements of the Financial Accounting Standards Board. As such, the Alliance reports its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

### ***Contributions***

The Alliance accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, contributions that are restricted by a donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

### ***Contributed Services***

During the years ended June 30, 2012 and 2011, the Alliance received contributed accounting services valued at \$1,129 and \$1,087, respectively. These donated accounting services are included in contributions in the accompanying statement of activities and changes in net assets. In addition, some individuals volunteer their time and perform a variety of tasks that assist the Alliance, but these services do not meet the criteria for recognition as contributed services.

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

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

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

Property and equipment acquisitions over \$500 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 activities. Accordingly, certain costs have been allocated among the programs 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 School.

### ***Income Taxes***

The Alliance is exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Alliance is exempt from paying federal income tax on any



income except unrelated business income. No provision has been made for income taxes in the accompanying financial statements as the Alliance has had no significant unrelated business income. 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. *PROPERTY AND EQUIPMENT***

Property and equipment at June 30, 2012 and 2011 consists of the following:

	Estimated Useful Lives in years	2012	2011
Computer Equipment	5-10	602	602
Less accumulated depreciation		(569)	(487)
		<u>33</u>	<u>115</u>

Depreciation expense was \$82 and \$255 for the years ended June 30, 2012 and 2011, respectively.

**3. *RELATED PARTY TRANSACTIONS***

The Chesapeake Public Charter School ("the School") was founded by the Chesapeake Charter School Alliance ("the Alliance"), a nonprofit organization. The 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 Alliance paid insurance for the School in the amounts of \$11,944 and \$11,954 for the fiscal years ending June 30, 2012 and 2011, respectively. In addition, as outlined in Note 4, the Alliance entered into a lease for a building that the school currently occupies. The Alliance was obligated for this lease, but the School paid the lease for this space directly to the landlord. This generated government support to the Alliance from the School for fiscal years ending June 30, 2012 and 2011, in the amounts of \$447,700 and \$440,000, respectively.

4. **OPERATING LEASE**

**20945 Great Mills Road in Lexington Park, Maryland** – The Alliance leases approximately 25,000 square feet of building, including classrooms, restrooms, office space and staff space, for the use of the Chesapeake Public Charter School (See Note 3). The space is used exclusively for the operation of the Chesapeake Public Charter School. The Alliance renewed the lease for this space in a lease agreement with Big Blue Investments, LLC dated February 17, 2012. The renewed lease expires on June 30, 2014 and calls for annual rent of \$475,000, payable in monthly installments of \$39,583. The lease is renewable for additional terms at the option of both the landlord and the Alliance. Total rent expense for the years ended June 30, 2012 and 2011 related to this lease were \$447,700 and \$440,000, respectively.

Future minimum payments under this lease agreement are as follows:

<u>Year Ending June 30:</u>	
2013	\$ 475,000
2014	<u>475,000</u>
	\$ <u>950,000</u>

5. **DEFERRED REVENUE AND PREPAID EXPENSES**

In June 2012 the Chesapeake Public Charter School (See Note 3 and Note 4) prepaid the July 2012 rent for the Alliance’s building space described more fully in Note 4. As such, the Alliance has recorded prepaid expenses and deferred revenue related to the July rent totaling \$39,583 at June 30, 2012.

6. **SUBSEQUENT EVENTS**

Management has considered and evaluated subsequent events through September 21, 2012, the date the financial statements were available to be issued.