



## Askey, Askey & Associates, CPA, LLC

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February 11, 2016

Ms. Anne Marie Dailey, Treasurer  
Chesapeake Charter School Alliance, Ltd.  
20945 Great Mills Road, Suite 501  
Lexington Park, MD 20653

Dear Ms. Dailey,

Enclosed please find:

- 1) Five bound copies and one unbound copy of financial statements for Chesapeake Charter School Alliance, Ltd. and OMB Circular A-133 Audit and for the year ended June 30, 2015.
- 2) A Communication With Those Charged With Governance letter.

Sincerely,

Catherine A. Askey, CPA, CVA, ABV

Enclosures

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

**FOR THE YEAR ENDED  
JUNE 30, 2015**

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### INDEPENDENT AUDITORS' REPORT

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

#### Report on the Financial Statements

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, 2015, and the related statements of activities 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion 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 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.

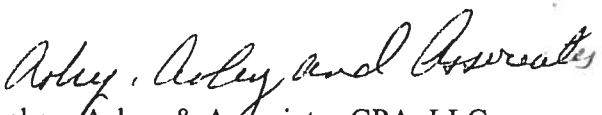
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2015, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2015, 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

Leonardtown, Maryland  
December 11, 2015

**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD**  
**Statement of Financial Position**  
**June 30, 2015**

<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 909,059
Rent and Other Receivables	<u>14,397</u>
<b>Total Current Assets</b>	<b>923,456</b>
Property and Equipment (Net)	<u>7,170,018</u>
<b>Total Assets</b>	<b>\$ <u>8,093,474</u></b>
 <b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Expenses	\$ 680,071
Due to Funders	<u>49,791</u>
<b>Total Current Liabilities</b>	<b>729,862</b>
 <b>Long-Term Liabilities</b>	
Note Payable	<u>7,191,491</u>
<b>Total Liabilities</b>	<b><u>7,921,353</u></b>
 <b>Net Assets</b>	
Unrestricted	156,727
Temporarily Restricted	<u>15,394</u>
<b>Total Net Assets</b>	<b>\$ <u>172,121</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>8,093,474</u></b>

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

**EXHIBIT B**

**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
Government Support	\$ 3,759,254	\$	\$ 3,759,254
Special Events and Fundraising	82,070		82,070
Contributions	13,798	11,981	25,779
Rental Income	7,793		7,793
Other Income	4,919		4,919
Interest Income	1,521		1,521
<b>Total Support and Revenue</b>	<u>3,869,355</u>	<u>11,981</u>	<u>3,881,336</u>
<b>Expenses</b>			
<b>Program Services</b>			
Staff Expenses	2,554,393		2,554,393
Facility Rent	469,890		469,890
Transportation	121,897		121,897
Educational Facility	98,273		98,273
Books and Materials	53,878		53,878
School Programs	26,072		26,072
Conference, Convention and Meetings	19,579		19,579
<b>Total Program Services</b>	<u>3,343,982</u>		<u>3,343,982</u>
<b>Fundraising</b>	<u>34,755</u>		<u>34,755</u>
<b>Management and General</b>			
Staff Expenses	391,339		391,339
Insurance	15,288		15,288
Professional Fees	13,417		13,417
Telephone	5,919		5,919
Facility Rent	5,631		5,631
Miscellaneous Expenses	4,118		4,118
Educational Facility	1,178		1,178
Dues and Subscriptions	830		830
Bank and Credit Card Fees	450		450
<b>Total Management and General</b>	<u>438,170</u>		<u>438,170</u>
<b>Total Expenses</b>	<u>3,816,907</u>		<u>3,816,907</u>
<b>Change in Net Assets</b>	52,448	11,981	64,429
Net Assets at Beginning of Year	<u>104,279</u>	<u>3,413</u>	<u>107,692</u>
<b>Net Assets at End of Year</b>	\$ <u>156,727</u>	\$ <u>15,394</u>	\$ <u>172,121</u>

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

**EXHIBIT C**

**CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

<b>Cash Flows From Operating Activities</b>	
Change in Net Assets	\$ 64,429
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
(Increase) Decrease in Operating Assets:	
Rent and Other Receivables	(14,397)
Prepaid Expenses	4,953
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Accrued Expenses	679,855
Due to Funders	49,791
	<hr/>
<b>Net Cash Provided By Operating Activities</b>	784,631
<b>Cash Flows Used in Investing Activities</b>	
Purchase of Property and Equipment	(33,445)
<b>Cash Flows Used in Financing Activities</b>	
Proceeds from Loan	56,918
	<hr/>
<b>Net Change in Cash and Cash Equivalents</b>	808,104
Cash and Cash Equivalents at Beginning of Year	100,955
	<hr/>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 909,059</u>
<b>Supplemental Disclosures</b>	
Property and Equipment Acquired by Loan	\$ 7,134,573

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, 2015**

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***

Financial statement presentation follows the provisions of the Financial Accounting Standards Board. As such, the Alliance is required to report information regarding 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 upon the existence or absence of donor-imposed restrictions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. There were no permanently restricted net assets at June 30, 2015. Temporarily restricted net assets at June 30, 2015 were \$15,394 and are restricted by donors to be used for specific purposes.

### ***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 Alliance.

### ***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. 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, 2015 consists of the following:

	Estimated Useful Lives in years	2015
Land		\$ 956,838
Building	39	5,866,379
Building Improvements	39	346,801
Computer Equipment	5	<u>602</u>
		7,170,620
Less Accumulated Depreciation		<u>(602)</u>
Property and Equipment, Net		<u>\$ 7,170,018</u>

There was no depreciation expense for the year ended June 30, 2015.

## 3. *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 \$3,759,254 for fiscal year ending June 30, 2015. At June 30, 2015 the Alliance owed \$49,791 in excess funding and \$650,474 in accounts payable and accrued expenses to St. Mary's County School Board. These amounts are included in current liabilities in the accompanying statement of financial position.

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.

## 4. *OPERATING LEASE AND PURCHASE OF BUILDING*

During the year ending June 30, 2015 the Alliance leased approximately 25,000 square feet of building, including classrooms, restrooms, office space and staff space, for the use

of the Chesapeake Public Charter School in Lexington Park, Maryland. The space is used exclusively for the operation of the Chesapeake Public Charter School. Total rent expense incurred under this lease was \$475,521 for the year ending June 30, 2015. On June 26, 2015 the Alliance purchased this building from the landlord at a total capitalized cost of \$7,170,018.

**5. TEMPORARILY RESTRICTED NET ASSETS**

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. Total temporarily restricted net assets of the building fund were \$15,394 at June 30, 2015.

**6. NOTES PAYABLE**

During the year ending June 30, 2015 the Alliance received a loan from the United States Department of Agriculture for \$7,191,491. 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. Annual interest only payments are due in June 2016 and June 2017 prior to the commencement of the regular quarterly payments described above. The loan is secured by the purchased real property in Great Mills, Maryland described in Note 4. The balance of the loan at June 30, 2015 was \$7,191,491. Maturities of the loan are as follows for the future years ending June 30:

2016	\$	-0-
2017		-0-
2018		92,793
2019		96,084
2020		99,491
Thereafter		<u>6,903,123</u>
Total		<u>\$7,191,491</u>

**7. SUBSEQUENT EVENTS**

Effective June 26, 2015 the Alliances leases certain portions of the purchased building described in Note 4 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 are as follows for the years ending June 30:

2016	\$	211,535
2017		125,430
2018		<u>48,982</u>
Total		<u>\$ 385,947</u>

Management has considered and evaluated subsequent events through December 11, 2015, the date the financial statements were available to be issued.



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### **Communication with Those Charged with Governance**

December 11, 2015

To the Board of Directors and Management of  
Chesapeake Charter School Alliance, Ltd.

We have audited the financial statements of Chesapeake Charter School Alliance, Ltd. for the year ended June 30, 2015, and have issued our report thereon dated December 11, 2015. 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 engagement letter to you dated March 26, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *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 2015. 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. 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 following material misstatements detected as a result of audit procedures were corrected by management: the adjustments to accrue expenses at year-end, the adjustment to capitalize costs related to the building acquisition during fiscal year 2015, the adjustment to correct the balance in the facility checking account at year-end, and the adjustment to record previously unrecorded expenses related to the school funding for 2015.

##### *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 auditors' 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 December 11, 2015.

##### *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.

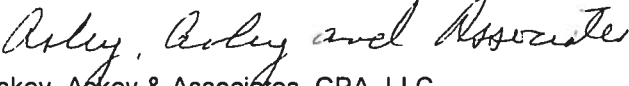
*Other Audit Findings or Issues*

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.

Other Matters

This information is intended solely for the use of the Board of Directors and management 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