



Askey, Askey & Associates, CPA, LLC

P.O. Box 662 • 23507 Hollywood Road • Leonardtown, Maryland 20650
301-475-5671 • Fax 301-475-9108

105 Centennial Street, Suite D • La Plata, Maryland 20646
301-934-5780 • Fax 301-934-9162
301-645-8588 • Fax 301-843-4084

October 10, 2018

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

Dear Ms. Sola,

Enclosed please find:

- 1) Five bound copies and one unbound copy of financial statements for **Chesapeake Charter School Alliance, Ltd.** for the year ended June 30, 2018.
- 2) A Communication With Those Charged With Governance letter.

Sincerely,

Christa Hood, CPA

Christa Hood, CPA

Enclosures



Askey, Askey & Associates, CPA, LLC

P.O. Box 662 • 23507 Hollywood Road • Leonardtown, Maryland 20650
301-475-5671 • Fax 301-475-9108

105 Centennial Street, Suite D • La Plata, Maryland 20646
301-934-5780 • Fax 301-934-9162
301-645-8588 • Fax 301-843-4084

Communication with Those Charged with Governance

October 10, 2018

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

We have audited the financial statements of Chesapeake Charter School Alliance, Ltd for the year ended June 30, 2018, and we will issue our report thereon dated October 10, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, 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 May 3, 2018. 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 2018. 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.

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 estimates affecting the financial statements was:

Management's estimate of the allocation of the school building's usage and expenses related to the calculation of unrelated business income tax 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 the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The attached Adjusting Journal Entry report lists material misstatements detected as a result of audit procedures that were correct 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 October 10, 2018.

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

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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, 2018 and 2017**

TABLE OF CONTENTS

Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position (Exhibit A).....	3
Statements of Activities and Changes in Net Assets (Exhibit B)	4
Statements of Cash Flows (Exhibit C).....	5
Notes to Financial Statements.....	6-10
Supplementary Information:	
Statement of Functional Expenses	11
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>	12-13



Askey, Askey & Associates, CPA, LLC

P.O. Box 662 • 23507 Hollywood Road • Leonardtown, Maryland 20650
301-475-5671 • Fax 301-475-9108

105 Centennial Street, Suite D • La Plata, Maryland 20646
301-934-5780 • Fax 301-934-9162
301-645-8588 • Fax 301-843-4084

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 statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018, 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
October 10, 2018

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,346,684	\$ 1,147,783
Accounts Receivable	2,837	1,321
Prepaid Expenses	5,605	2,918
Total Current Assets	1,355,126	1,152,022
USDA Reserves	103,361	68,836
Construction in Progress	7,671	66,500
Property and Equipment (Net)	6,815,250	6,874,114
Total Assets	\$ 8,281,408	\$ 8,161,472
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 948,516	\$ 790,912
Deferred Revenue	4,606	840
Note Payable - Current Portion	96,084	92,793
Total Current Liabilities	1,049,206	884,545
Long-Term Liabilities		
Note Payable - Long Term Portion	7,011,123	7,107,207
Total Liabilities	8,060,329	7,991,752
Net Assets		
Unrestricted Net Assets	221,079	169,720
Total Liabilities and Net Assets	\$ 8,281,408	\$ 8,161,472

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 Years Ended June 30, 2018 and 2017

Support and Revenue	2018	2017
Government Support	\$ 4,657,367	\$ 4,085,169
Rental Income	126,621	235,306
Special Events and Fundraising	62,340	57,091
Grants	54,326	1,000
Contributions	35,136	29,127
Interest Income	1,012	425
Other Income	585	230
Total Unrestricted Support and Revenue	4,937,387	4,408,348
Expenses		
School Program	4,156,706	3,675,087
Management and General	553,362	497,940
Facility Rental	121,227	173,831
Fundraising	54,733	30,568
Total Expenses	4,886,028	4,377,426
Change in Unrestricted Net Assets	51,359	30,922
Net Assets at Beginning of Year	169,720	138,798
Net Assets at End of Year	\$ 221,079	\$ 169,720

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

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 51,359	\$ 30,922
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	162,817	159,922
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(1,516)	(1,321)
Prepaid Expenses	(2,687)	22,521
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	157,604	68,092
Deferred Revenue	3,766	(56,726)
Net Cash Provided By Operating Activities	<u>371,343</u>	<u>223,410</u>
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(37,453)	(34,455)
Investments in USDA Reserves	(34,525)	(66,500)
Investment in Construction in Progress	(7,671)	
Net Cash Used By Investing Activities	<u>(79,649)</u>	<u>(100,955)</u>
Cash Flows From Financing Activities		
Principal Payments on Long-Term Debt	(92,793)	
Net Change in Cash and Cash Equivalents	198,901	122,455
Cash and Cash Equivalents at Beginning of Year	<u>1,147,783</u>	<u>1,025,328</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,346,684</u>	<u>\$ 1,147,783</u>
Supplemental Disclosures		
Cash Paid for Interest	\$ 250,791	\$ 252,000
Cash Paid for Income Taxes	\$ 1,641	\$ 595

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, 2018 and 2017

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. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. There were no temporarily or permanently restricted net assets at June 30, 2018 and June 30, 2017. See Note 4 for a description of temporarily restricted net assets.

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.

The Alliance maintains bank accounts at financial institutions which are federally insured. At various times during the years ended June 30, 2018, and June 30, 2017, the Alliance maintained cash-in-bank balances that were in excess of the federally insured limits. Amounts held in excess of the federally insured amount at June 30, 2018, was approximately \$275,000. There were no amounts held in excess of the federally insured amount at June 30, 2017.

Property and Equipment

During the year ended June 30, 2018, the Alliance increased their capitalization policy from \$500 to \$1,000. 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 activities. 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. For the years ending June 30, 2018, and June 30, 2017, 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, 2018, and June 30, 2017, the Alliance earned unrelated business income of approximately \$4,300 and \$75,000, respectively

from the debt-financed rental of a portion of its facilities. There was no federal or state income tax expense for the year ended June 30, 2018, as the Alliance met the 85% program usage exemption. Total federal and state income tax expense for the year ending and June 30, 2017, related to this unrelated business income was \$20,512. 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.

Reclassification of Prior Year Balances

Certain reclassifications of the prior year balances have been made to confirm to current year presentation.

2. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018, and June 30, 2017, consists of the following:

	Estimated Useful Lives in years	<u>2018</u>	<u>2017</u>
Land		\$ 956,838	\$ 956,838
Building	39	5,866,379	5,866,379
Building Improvements	39	467,902	370,581
Furniture and Equipment	5	<u>6,631</u>	<u> </u>
		7,297,750	7,193,798
Less Accumulated Depreciation		<u>(482,500)</u>	<u>(319,684)</u>
Property and Equipment, Net		<u>\$ 6,815,250</u>	<u>\$ 6,874,114</u>

Depreciation expense for the years ending June 30, 2018 and 2017 June 30, 2017, was \$162,817 and \$159,922, respectively.

During the years ending June 30, 2018 and 2017, the Alliance incurred renovation expenses related to their building in the amount of \$7,671 and \$66,500, respectively, and are classified as construction in progress on the statement of financial position.

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 \$4,657,367 and \$4,085,169, for the years ending June 30, 2018, and June 30, 2017, respectively. At June 30, 2018, and June 30, 2017, the Alliance owed \$945,499 and \$767,992, 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.

4. *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. At June 30, 2018, and June 30, 2017, there were no temporarily restricted net assets related to the building fund.

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. Annual interest only payments are due in June 2017, prior to the commencement of the regular quarterly payments described above. The balance of the loan at June 30, 2018, and June 30, 2017, was \$7,107,207 and \$7,200,000, respectively. Maturities of the loan are as follows for the future years ending June 30:

2019	96,084
2020	99,491
2021	103,019
2022	106,673
2023	110,455
Thereafter	<u>6,591,485</u>
Total	<u>7,107,207</u>
Less: current portion	<u>(96,084)</u>
Long-term portion	<u>\$7,011,123</u>

Total interest expense related to the above note payable was \$250,791 and \$252,000, respectively, for the years ending June 30, 2018 and 2017, respectively. 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, 2018 and 2017, the reserve account balance was \$103,361 and \$68,836, respectively.

6. 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 are as follows for the years ending June 30:

2019	\$ 78,459
2020	78,459
2021	<u>22,960</u>
Total	<u>\$ 179,878</u>

7. SUBSEQUENT EVENTS

Management has considered and evaluated subsequent events through October 10, 2018, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD.

Statements of Functional Expenses

For the Years Ended June 30, 2018

with Summarized Financial Information for the Year Ended June 30, 2017

	2018				2017
	School Program	Supporting Activities			Total
		Management and General	Facility Rental	Fundraising	
Payroll and Related Expenses	\$ 3,385,284	\$ 438,127	\$	\$ 35,445	\$ 3,858,856
Interest Expense	184,231	36,239	30,170	151	252,000
Facility Related Expenses	142,004	27,934	54,789	112	224,839
Transportation Expense	181,362				181,362
Depreciation Expense	119,605	23,527	19,587	98	162,817
School Programs	57,469				57,469
Books, Materials, and Supplies	56,157				56,157
Professional Fees	11,289	18,687	13,519	9	43,504
Insurance Expense	19,305	3,797	3,162	16	26,280
Fundraising Expenses				17,931	17,931
Miscellaneous Expenses		5,051		971	6,022
Income Tax Expense					20,512
Conferences, Conventions & Meetings					13,760
TOTAL	\$ 4,156,706	\$ 553,362	\$ 121,227	\$ 54,733	\$ 4,886,028
					\$ 4,377,426



Askey, Askey & Associates, CPA, LLC

P.O. Box 662 • 23507 Hollywood Road • Leonardtown, Maryland 20650
301-475-5671 • Fax 301-475-9108

105 Centennial Street, Suite D • La Plata, Maryland 20646
301-934-5780 • Fax 301-934-9162
301-645-8588 • Fax 301-843-4084

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, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The 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
October 10, 2018