



Askey, Askey & Associates, CPA, LLC

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November 5, 2019

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, 2019; and
- 2) A Communication With Those Charged With Governance letter.

Sincerely,

Christa L. Hood, CPA

Christa Hood, CPA

Enclosures



Askey, Askey & Associates, CPA, LLC

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Communication with Those Charged with Governance

October 25, 2019

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, 2019, and we will issue our report thereon dated October 25, 2019. 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 June 5, 2019. 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 2019. 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 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. 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 25, 2019.

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, 2019 and 2018**

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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, 2019, 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, 2019, 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, 2018, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 October 25, 2019, 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
October 25, 2019

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,282,418	\$ 1,346,684
Accounts Receivable	81,144	2,837
Prepaid Expenses	9,332	5,605
Total Current Assets	1,372,894	1,355,126
USDA Reserves	137,954	103,361
Construction in Progress	27,523	7,671
Property and Equipment (Net)	6,761,507	6,815,250
Total Assets	\$ 8,299,878	\$ 8,281,408
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 980,258	\$ 948,516
Deferred Revenue	5,461	4,606
Note Payable - Current Portion	99,491	96,084
Total Current Liabilities	1,085,210	1,049,206
Long-Term Liabilities		
Note Payable - Long Term Portion	6,911,632	7,011,123
Total Liabilities	7,996,842	8,060,329
Net Assets		
Without Donor Restrictions	298,036	221,079
With Donor Restrictions	5,000	
Total Net Assets	303,036	221,079
Total Liabilities and Net Assets	\$ 8,299,878	\$ 8,281,408

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, 2019
with Summarized Financial Information for the Year Ended June 30, 2018

	2019			2018
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Total
Support and Revenue				
Government Support	\$ 4,789,532	\$	\$ 4,789,532	\$ 4,657,367
Grants	190,216		190,216	54,326
Rental Income	126,541		126,541	126,621
Special Events and Fundraising	50,367		50,367	62,340
Contributions	42,032	5,000	47,032	35,136
Interest Income	1,921		1,921	1,012
Other Income	330		330	585
Total Support and Revenue	5,200,939	5,000	5,205,939	4,937,387
Expenses				
School Program	4,390,658		4,390,658	4,156,706
Management and General	582,815		582,815	553,362
Facility Rental	97,736		97,736	121,227
Fundraising	52,773		52,773	54,733
Total Expenses	5,123,982		5,123,982	4,886,028
Change in Net Assets	76,957	5,000	81,957	51,359
Net Assets at Beginning of Year	221,079		221,079	169,720
Net Assets at End of Year	\$ 298,036	\$ 5,000	\$ 303,036	\$ 221,079

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

EXHIBIT C

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD.

Statement of Functional Expenses

For the Year Ended June 30, 2019

with Summarized Financial Information for the Year Ended June 30, 2018

	2019				2018	
	School Program	Supporting Activities			Total	Total
		Management and General	Facility Rental	Fundraising		
Payroll and Related Expenses	\$ 3,494,239	\$ 462,222	\$ 29,766	\$ 36,447	\$ 3,992,908	\$ 3,858,856
Interest Expense	182,677	34,915		142	247,500	250,791
Transportation Expense	190,866				190,866	181,362
Depreciation Expense	122,624	23,437	19,981	95	166,137	162,817
Facility Related Expenses	108,703	20,776	31,086	84	160,649	224,839
School Programs	134,694				134,694	57,469
Professional Fees	55,645	23,853	13,925	9	93,432	43,504
Books, Materials, and Supplies	82,933				82,933	56,157
Insurance Expense	18,277	3,493	2,978	14	24,762	26,280
Fundraising Expenses				15,652	15,652	17,931
Conferences, Conventions & Meetings		10,502			10,502	
Miscellaneous Expenses		3,617		330	3,947	6,022
TOTAL	\$ 4,390,658	\$ 582,815	\$ 97,736	\$ 52,773	\$ 5,123,982	\$ 4,886,028

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 81,957	\$ 51,359
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	166,137	162,817
Decrease in Operating Assets:		
Accounts Receivable	(78,307)	(1,516)
Prepaid Expenses	(3,727)	(2,687)
Increase in Operating Liabilities:		
Accounts Payable and Accrued Expenses	31,742	157,604
Deferred Revenue	855	3,766
Net Cash Provided By Operating Activities	<u>198,657</u>	<u>371,343</u>
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(104,723)	(37,453)
Investment in USDA Reserves	(34,593)	(34,525)
Investment in Construction in Progress	(27,523)	(7,671)
Net Cash Used In Investing Activities	<u>(166,839)</u>	<u>(79,649)</u>
Cash Flows From Financing Activities		
Principal Payments on Long-Term Debt	(96,084)	(92,793)
Net Change in Cash and Cash Equivalents	(64,266)	198,901
Cash and Cash Equivalents at Beginning of Year	<u>1,346,684</u>	<u>1,147,783</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,282,418</u>	<u>\$ 1,346,684</u>
Supplemental Disclosures		
Cash Paid for Interest	\$ 247,500	\$ 250,791
Cash Paid for Income Taxes		\$ 1,641

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, 2019 and 2018

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 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, 2019, and June 30, 2018, the Alliance maintained cash-in-bank balances that were in excess of the federally insured limits. Amounts held in excess of the federally insured limit at June 30, 2019, was approximately \$54,000. There were no amounts held in excess of the federally insured limit at June 30, 2018.

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 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, 2019, and June 30, 2018, 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, 2019 and June 30, 2018, the Alliance earned unrelated business income of approximately \$19,700 and \$4,300, 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, 2019 and 2018, 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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about

liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Alliance has adjusted the presentation of these financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Alliance's financial statements:

- The unrestricted net assets class has been renamed *net assets without donor restrictions*;
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The financial statements include a new disclosure about the liquidity and availability of resources on Note 2.
- The changes have the following effect on net assets as of June 30, 2018, as presented in the Statement of Activities as Net Assets at Beginning of Year, as previously stated:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 221,079	
Net assets without donor restrictions		\$ 221,079

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, 2019 are as follows:

Financial assets at year-end	\$ 8,299,878
Less those unavailable for general expenditures within one year, due to:	
Property and Equipment, Net	(6,761,507)
USDA Reserves	(137,954)
Construction in Progress	(27,523)
Donor Restricted for After School Program	<u>(5,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,367,894</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, 2019 and June 30, 2018, consists of the following:

	Estimated Useful Lives in years	2019	2018
Land		\$ 956,838	\$ 956,838
Building	39	5,866,379	5,866,379
Building Improvements	39	538,999	467,902
Furniture and Equipment	5	47,929	6,631
		7,410,145	7,297,750
Less Accumulated Depreciation		(648,638)	(482,500)
Property and Equipment, Net		\$ 6,761,507	\$ 6,815,250

Depreciation expense for the years ending June 30, 2019 and 2018, was \$166,137 and \$162,817, respectively.

During the years ending June 30, 2019 and 2018, the Alliance incurred renovation expenses related to their building in the amount of \$27,523 and \$7,671, respectively, and are classified as construction in progress on the statement of financial position.

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 \$4,789,532 and \$4,657,367, for the years ending June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, the Alliance owed \$956,248 and \$945,499, 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, 2019 and 2018, was \$7,011,123 and \$7,107,207, respectively. Maturities of the loan are as follows for the future years ending June 30:

2020	99,491
2021	103,019
2022	106,673
2023	110,455
2024	114,372
Thereafter	<u>6,477,113</u>
Total	7,011,123
Less: current portion	<u>(99,491)</u>
Long-term portion	<u>\$6,911,632</u>

Total interest expense related to the above note payable was \$247,500 and \$250,791, respectively, for the years ending June 30, 2019 and 2018. 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, 2019 and 2018, the reserve account balance was \$137,954 and \$103,361, 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, 2019 or 2018.

During the year ended June 30, 2019, the Alliance received funds to be used specifically for an after school program. At June 30, 2019, net assets with donor restrictions related to this program totaled \$5,000.

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 are as follows for the years ending June 30:

2020	\$ 89,128
2021	<u>22,960</u>
Total	<u>\$ 112,088</u>

8. *SUBSEQUENT EVENTS*

On August 28, 2019, the Board of Education renewed the Alliance's charter to operate the Charter School. The term of the renewal is from August 28, 2019 through June 30, 2024.

In November 2018, the Alliance was awarded a grant from the Maryland State Department of Education to be used to expand the School. The total grant amount is \$900,000, awarded over three project periods ending on June 30, 2019, 2020 and 2021 in the amounts of \$376,439, \$246,385 and \$277,176, respectively. Revenue from this grant for the fiscal year ended June 30, 2019, that is included in the statement of activities is \$177,692. The grant award for the year ended June 30, 2019, was amended to extend the date of the award period to August 31, 2019.

Management has considered and evaluated subsequent events through October 25, 2019, the date the financial statements were available to be issued.



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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, 2019, 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 October 25, 2019.

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 25, 2019