



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

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October 23, 2014

Ms. Ann Marie Dailey, Treasurer
Chesapeake Charter School Alliance, LTD
20945 Great Mills Road, #501
Lexington Park, MD 20653

Dear Ms. Dailey,

Enclosed please find five bound copies and one unbound copy of a compilation report for **Chesapeake Charter School Alliance, LTD** for the years-ended June 30, 2014 and 2013.

Sincerely,

Catherine A. Askey, CPA, CVA, ABV

Enclosures

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

**FOR THE YEARS ENDED
JUNE 30, 2014 and 2013**

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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 statements of financial position of Chesapeake Charter School Alliance, LTD (a nonprofit organization) as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years 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.

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 compilations 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
October 16, 2014

EXHIBIT A

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD
Statements of Financial Position
June 30, 2014 and 2013

	Assets	<u>2014</u>	<u>2013</u>
Current Assets			
Cash and Cash Equivalents		\$ 100,955	\$ 103,113
Prepaid Expenses		<u>45,130</u>	<u>39,583</u>
Total Current Assets		146,085	142,696
Other Assets		<u>2,000</u>	<u></u>
Total Assets		<u>\$ 148,085</u>	<u>\$ 142,696</u>
	Liabilities and Net Assets		
Current Liabilities			
Accounts Payable		\$ 216	\$
Deferred Revenue		<u>40,177</u>	<u>39,583</u>
Total Current Liabilities		40,393	39,583
Net Assets			
Unrestricted		104,279	103,113
Temporarily Restricted		<u>3,413</u>	<u></u>
Total Net Assets		<u>\$ 107,692</u>	<u>\$ 103,113</u>
Total Liabilities and Net Assets		<u>\$ 148,085</u>	<u>\$ 142,696</u>

See Accompanying Notes and Accountants' Report

EXHIBIT B

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2014 and 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue				
Government Support	\$ 475,000	\$	\$ 475,000	\$ 475,000
Special Events and Fundraising	69,572		69,572	65,388
Contributions	10,117	5,413	15,530	15,094
Indirect Public Support	5,067		5,067	6,889
Membership Dues	570		570	340
Interest Income	197		197	547
Net Assets Released from Restriction	2,000	(2,000)		
Total Support and Revenue	<u>562,523</u>	<u>3,413</u>	<u>565,936</u>	<u>563,258</u>
Expenses				
Program Services				
Educational Facility	475,000		475,000	475,000
School Programs	15,920		15,920	23,642
School Insurance	13,239		13,239	12,327
Books and Materials	4,105		4,105	3,390
Conference, Convention and Meetings	343		343	2,144
Advertising	52		52	
Total Program Services	<u>508,659</u>		<u>508,659</u>	<u>516,503</u>
Fundraising	<u>40,542</u>		<u>40,542</u>	<u>31,216</u>
Management and General				
Professional Fees	10,165		10,165	3,018
Dues and Subscriptions	1,353		1,353	1,727
Bank Fees	291		291	240
Postage and Mailing	217		217	54
Depreciation				33
Supplies	130		130	31
Total Management and General	<u>12,156</u>		<u>12,156</u>	<u>5,103</u>
Total Expenses	<u>561,357</u>		<u>561,357</u>	<u>552,822</u>
Change in Net Assets	1,166	3,413	4,579	10,436
Net Assets at Beginning of Year	<u>103,113</u>		<u>103,113</u>	<u>92,677</u>
Net Assets at End of Year	<u>\$ 104,279</u>	<u>\$ 3,413</u>	<u>\$ 107,692</u>	<u>\$ 103,113</u>

See Accompanying Notes and Accountants' Report

EXHIBIT C

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 4,579	\$ 10,436
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation		33
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	(5,547)	
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	216	(500)
Deferred Revenue	594	
Net Cash Provided By (Used In) Operating Activities	<u>(158)</u>	<u>9,969</u>
Cash Flows Used in Investing Activities		
Other Assets	<u>(2,000)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(2,158)	9,969
Cash and Cash Equivalents at Beginning of Year	<u>103,113</u>	<u>93,144</u>
Cash and Cash Equivalents at End of Year	<u>\$ 100,955</u>	<u>\$ 103,113</u>

See Accompanying Notes and Accountants' Report

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD
Notes to Financial Statements
June 30, 2014 and 2013

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, 2014 and 2013. Temporarily restricted net assets at June 30, 2014 were \$3,413 and are restricted by donors to be used for specific purposes.

Contributed Services

During the years ended June 30, 2014 and 2013, the Alliance received contributed accounting services valued at \$1,118 and \$1,118, 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 Alliance.

Income Taxes

The Alliance was incorporated and is operated as a nonprofit organization. The Alliance received a tax determination letter from the Internal Revenue Service in June 2006 stating that the Alliance was exempt under Section 501(c)(3) of the Internal Revenue Code and was classified as other than a private foundation. In March 2014 the Alliance received notification from the Internal Revenue service that the Alliance's tax exempt status had been revoked for a failure to file required information returns for three consecutive years. Subsequent to year end, the Alliance submitted an application to the Internal Revenue Service requesting retroactive reinstatement of the Alliance's tax-exempt status. The Alliance also submitted copies of the missing information returns in August 2014. In September 2014 the Alliance received an updated tax determination letter from the Internal Revenue Service stating that the Alliance's tax exempt status has been officially reinstated. Under the new tax determination letter the Alliance continues to be 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, 2014 and 2013 consists of the following:

	Estimated Useful Lives in years	2014	2013
Computer Equipment	5	602	602
Less Accumulated Depreciation		<u>(602)</u>	<u>(602)</u>
		<u>=====</u>	<u>=====</u>

Depreciation expense was \$-0- and \$33 for the years ended June 30, 2014 and 2013, 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 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 Alliance paid insurance for the School in the amounts of \$13,239 and \$12,327 for the fiscal years ending June 30, 2014 and 2013, respectively. In addition, as outlined in Note 4, the Alliance entered into a lease for a building that the school currently occupies. The Alliance is obligated for this lease, but the School paid the lease for this space directly to the landlord. This generates government support to the Alliance from the School for fiscal years ending June 30, 2014 and 2013, in the amounts of \$475,000 and \$475,000, respectively.

4. *OPERATING LEASE*

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 in Lexington Park, Maryland (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 May, 2014. The renewed lease expires on

June 30, 2016 and calls for annual rent of \$482,125, payable in monthly installments of \$40,177. 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, 2014 and 2013 related to this lease were \$475,000 and \$475,000, respectively. Future minimum lease payments due under this lease agreement are \$482,125 and \$482,125 for the years ending June 30, 2015 and 2016, respectively.

5. DEFERRED REVENUE AND PREPAID EXPENSES

In June 2014 and 2013 the Chesapeake Public Charter School (See Note 3 and Note 4) prepaid the July 2014 and 2013 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 \$40,177 and \$39,583 at June 30, 2014 and 2013, respectively. In addition, the Alliance has prepaid certain legal fees at June 30, 2014 totaling \$4,953.

6. TEMPORARILY RESTRICTED NET ASSETS

The Alliance has undertaken a project to purchase the building it currently leases (See Note 4). In connection with this project, the Alliance has established a building fund to be used specifically for the costs of acquiring the building. 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 \$3,413 at June 30, 2014. The Alliance has applied for a loan with the United States Department of Agriculture (USDA) to fund the majority of the building purchase. As of the date of financial statement issuance, there have been no contracts or loan documents signed with either the owner of the building or the USDA relating to this project.

7. SUBSEQUENT EVENTS

Management has considered and evaluated subsequent events through October 16, 2014, the date the financial statements were available to be issued.