



Askey, Askey & Associates, CPA, LLC

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September 24, 2024

Ms. Sharon Norris, Treasurer
Chesapeake Charter School Alliance, LTD
20945 Great Mills Road, Suite 501
Lexington Park, MD 20653

Dear Ms. Norris,

Enclosed please find:

- 1) Three bound copies and one unbound copy of financial statements for **Chesapeake Charter School Alliance, LTD** for the years ended June 30, 2024 and 2023; and
- 2) A Communication With Those Charged With Governance letter.

Sincerely,

Christa L Hood, CPA

Christa Hood, CPA

Enclosures

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

**FOR THE YEARS ENDED
JUNE 30, 2024 and 2023**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2024, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chesapeake Charter School Alliance, LTD, as of June 30, 2024, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chesapeake Charter School Alliance, LTD, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chesapeake Charter School Alliance, LTD's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Chesapeake Charter School Alliance, LTD's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chesapeake Charter School Alliance, LTD's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Chesapeake Charter School Alliance, LTD's June 30, 2023, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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 September 20, 2024, 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 solely

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 the effectiveness of Chesapeake Charter School Alliance, LTD's 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
September 20, 2024

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,470,129	\$ 2,653,786
Accounts Receivable	750	3,134
Payroll Refunds		249
Prepaid Expenses	4,264	6,706
Total Current Assets	2,475,143	2,663,875
USDA Reserves	312,906	276,594
Deposits on Equipment	50,423	31,750
Property and Equipment (Net of accumulated depreciation totaling \$1,754,523 and \$1,550,432, respectively)	6,369,116	6,475,231
Total Assets	\$ 9,207,588	\$ 9,447,450
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 1,322,180	\$ 1,728,532
Note Payable - Current Portion	118,428	114,372
Total Current Liabilities	1,440,608	1,842,904
Long-Term Liabilities		
Note Payable - Long Term Portion	6,358,685	6,477,113
Total Liabilities	7,799,293	8,320,017
Net Assets		
Without Donor Restrictions	1,405,483	1,120,743
With Donor Restrictions	2,812	6,690
Total Net Assets	1,408,295	1,127,433
Total Liabilities and Net Assets	\$ 9,207,588	\$ 9,447,450

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, 2024
with Summarized Financial Information for the Year Ended June 30, 2023

	<u>2024</u>			<u>2023</u>
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Total
Support and Revenue				
Government Support	\$ 6,885,835	\$	\$ 6,885,835	\$ 6,570,188
Contributions	65,376		65,376	46,395
Rental Income	39,903		39,903	59,643
Special Events and Fundraising	38,286		38,286	34,816
Interest Income	7,972		7,972	3,993
Grants	1,500		1,500	
Other Income	689		689	890
Net Assets Released from Restriction	3,878	(3,878)		
Total Support and Revenue	<u>7,043,439</u>	<u>(3,878)</u>	<u>7,039,561</u>	<u>6,715,925</u>
Expenses				
School Program	5,997,682		5,997,682	5,773,256
Management and General	650,227		650,227	635,828
Facility Rental	62,116		62,116	67,034
Fundraising	48,674		48,674	50,936
Total Expenses	<u>6,758,699</u>		<u>6,758,699</u>	<u>6,527,054</u>
Change in Net Assets	284,740	(3,878)	280,862	188,871
Net Assets at Beginning of Year	<u>1,120,743</u>	<u>6,690</u>	<u>1,127,433</u>	<u>938,562</u>
Net Assets at End of Year	<u>\$ 1,405,483</u>	<u>\$ 2,812</u>	<u>\$ 1,408,295</u>	<u>\$ 1,127,433</u>

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

CHESAPEAKE CHARTER SCHOOL ALLIANCE, LTD.
Statement of Functional Expenses
For the Year Ended June 30, 2024
with Summarized Financial Information for the Year Ended June 30, 2023

	<u>2024</u>					<u>2023</u>
	School Program	Supporting Activities			Total	Total
		Management and General	Facility Rental	Fundraising		
Payroll and Related Expenses - School	\$ 4,790,587	\$ 531,163	\$	\$ 36,332	\$ 5,358,082	\$ 4,988,605
Facility Related Expenses	300,073	33,303	18,607	453	352,436	335,974
Transportation Expense	323,217				323,217	323,099
Interest Expense	195,358	21,683	11,873	298	229,212	233,129
Depreciation Expense	173,947	19,307	10,572	265	204,091	326,184
Books, Materials, and Supplies	84,201				84,201	126,316
School Programs	82,354				82,354	74,940
Payroll and Related Expenses - Alliance	17,258	1,915	19,199	26	38,398	38,814
Insurance Expense	30,687	3,406	1,865	47	36,005	32,111
Professional Fees		25,393			25,393	19,417
Miscellaneous Expenses		13,461		807	14,268	12,808
Fundraising Expenses				10,446	10,446	14,639
Income Tax Expense		596			596	
Conferences, Conventions, and Meetings						1,018
TOTAL	<u>\$ 5,997,682</u>	<u>\$ 650,227</u>	<u>\$ 62,116</u>	<u>\$ 48,674</u>	<u>\$ 6,758,699</u>	<u>\$ 6,527,054</u>

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 280,862	\$ 188,871
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	204,091	326,184
(Increase) Decrease in Operating Assets:		
Payroll Refunds	249	(249)
Accounts Receivable	2,384	(2,625)
Prepaid Expenses	2,442	(3,170)
Deposits on Equipment	(18,673)	(11,549)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(406,352)	884,193
Net Cash Provided By Operating Activities	<u>65,003</u>	<u>1,381,655</u>
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(97,976)	(174,380)
Investment in USDA Reserves	(36,312)	(35,002)
Net Cash Used In Investing Activities	<u>(134,288)</u>	<u>(209,382)</u>
Cash Flows From Financing Activities		
Principal Payments on Long-Term Debt	(114,372)	(110,456)
Net Change in Cash and Cash Equivalents	(183,657)	1,061,817
Cash and Cash Equivalents at Beginning of Year	<u>2,653,786</u>	<u>1,591,969</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,470,129</u>	<u>\$ 2,653,786</u>
Supplemental Disclosures		
Cash Paid for Interest	\$ 229,212	\$ 233,129

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, 2024 and 2023

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 Alliance 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, whereby 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. Two of the Alliance's accounts are secured by the bank with collateral whose market value is at least equal to the deposits. At various times during the years ended June 30, 2024, and 2023, the Alliance maintained cash-in-bank balances that were in excess of the federally insured limit and collateral. The amounts in excess of federally insured limit at June 30, 2024 and 2023, were approximately \$237,600 and \$199,600, respectively.

Accounts Receivable

Accounts receivable primarily consists of amounts due from funding agencies under the terms of grant agreements. Management believes that this amount is fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2024 and 2023.

Property and Equipment

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, 2024, and 2023, 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. In past years, the Alliance had reported unrelated business income/(loss) 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, 2024 and 2023, as the Alliance met the 85% program usage exemption as a result of the school expansion. 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.

Office Leases

The Alliance evaluates the contracts it enters into to determine whether such contracts contain leases. A contract contains a lease if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. At commencement, contracts containing a lease are further evaluated for classification as an operating or finance lease where the Alliance is a lessee, or as an operating, sales-type or direct financing lease where the Alliance is a lessor, based on their terms. For its building leases, the Alliance has elected not to separate nonlease components from lease components as the timing and pattern of transfer are the same, and lease is classified as an operating lease in accordance with the Lease Standard, Topic 842. Nonlease components in the building leases are common area maintenance charges and are included in rental income, accounted for under the lease standard.

Adoption of New Accounting Standards

In June 2016, the FASB issued guidance (FASB ASC 326 *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Alliance that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Alliance adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

2. *LIQUIDITY AND AVAILABILITY OF RESOURCES*

The liquidity disclosure required by GAAP is 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 expenditures as of June 30, 2024, are as follows:

Total assets at year-end	\$	9,207,588
Less those unavailable for general expenditures within one year, due to:		
Property and Equipment, Net		(6,369,116)
USDA Reserves		(312,906)
Net Assets with Donor Restrictions		<u>(2,812)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>2,522,754</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, 2024 and 2023, consists of the following:

	Estimated Useful Lives in years	2024	2023
Land		\$ 956,838	\$ 956,838
Building	39	5,866,379	5,866,379
Building Improvements	39	1,083,088	985,112
Furniture and Equipment	5-7	<u>217,334</u>	<u>217,334</u>
		8,123,639	8,025,663
Less Accumulated Depreciation		<u>(1,754,523)</u>	<u>(1,550,432)</u>
Property and Equipment, Net		\$ <u>6,369,116</u>	\$ <u>6,475,231</u>

Depreciation expense for the years ending June 30, 2024 and 2023, was \$204,091 and \$326,184, respectively.

4. ***RELATED PARTY TRANSACTIONS AND CONCENTRATIONS***

The Chesapeake Public Charter 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 \$6,885,835 and \$6,570,188, for the years ending June 30, 2024 and 2023, respectively. The Alliance accounts for the funding as conditional contribution, recognizing the revenue as the related expenses are incurred. At June 30, 2024 and 2023, the Alliance owed \$1,305,435 and \$1,713,261, 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 with an original amount of \$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, 2024 and 2023, was \$6,477,113 and \$6,591,485, respectively. Maturities of the loan are as follows for the future years ending June 30:

2025	118,428
2026	122,628
2027	126,977
2028	131,479
2029	136,142
Thereafter	5,841,459
Total	<u>6,477,113</u>
Less: Current Portion	<u>(118,428)</u>
Long-term Portion	<u><u>\$6,358,685</u></u>

Total interest expense related to the above note payable was \$229,212 and \$233,129, respectively, for the years ending June 30, 2024 and 2023. 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 annually until the total deposits in the reserve account equal \$343,584. At June 30, 2024 and 2023, the reserve account balance was \$312,906 and \$276,594, 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, 2024 or 2023.

During the year ended June 30, 2019, the Alliance received funds to be used specifically for an after-school program. During the year ended June 30, 2023, the Alliance received funds to be used specifically for a field trip. At June 30, 2024 and 2023, net assets with donor restrictions

related to this program totaled \$2,812 and \$6,690, respectively.

7. OFFICE LEASES

The Alliance leases certain portions of their building to multiple tenants under various operating leases with terms ranging from one to three years. Minimum lease receipts, including minimum scheduled rent increases, are recognized as rent income on a straight-line basis over the applicable lease terms.

The carrying value of the building is \$4,512,599 and \$4,663,019 at June 30, 2024 and 2023, respectively. The original cost of the building is \$5,866,379 at June 30, 2024 and 2023, which includes the portion used for the Chesapeake Public Charter School. The cost of the land is \$956,838. Approximately 5.2% of the building square footage is leased, resulting in carrying value of the leased assets to approximate \$283,000 at June 30, 2024. Aggregate future minimum lease payments to be received by the Alliance under the terms of these leases are as follows:

<u>2025</u>	<u>\$ 4,012</u>
Total	\$ 4,012

8. SUBSEQUENT EVENTS

Management has considered and evaluated subsequent events through September 20, 2024, the date the financial statements were available to be issued.



Askey, Askey & Associates, CPA, LLC

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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, 2024, 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 September 20, 2024.

Report on 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) as a basis for designing 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material

weaknesses. We identified a deficiency in internal control that we consider to be a significant deficiency.

The Conflict of Interest statements and Memorandum of Understanding (MOU) of board member role and responsibilities were missing for five out of ten board members. This is a requirement under Article VI of the Conflict of Interest Policy. We discussed this with the accountant, charter director, education director, and treasurer and recommended that they ensure the Conflict of Interest statements and MOUs are signed for each year as required by the Alliance's Conflict of Interest Policy.

Chesapeake Charter School Alliance, LTD's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Charter School Alliance, LTD's response to the findings identified in our audit and described above. Charter School Alliance, LTD's response below was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Response to Deficiency in Internal Controls

"CCSA Board Chair concurs with the finding of missing Conflict of Interest and MOU statements. To prevent this from happening in the future, the Alliance Board has made the following improvements to these processes:

- *CCSA will hold its monthly meetings and annual retreat in person. With the removal of hybrid options, we will be able to better control the return of required annual documents and adhere to our policies and procedures.*
- *CCSA has created an Annual Operational Calendar which highlights the monthly practices and required documents. These documents will be attached to and reviewed at each board meeting in order to provide the needed checks and balances.*
- *CCSA has added the responsibility for collection of and cataloging the required documents in Google Drive to the secretary's role in our Roles and Responsibilities documents."*

Report on 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the paragraph above.

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
September 20, 2024



Askey, Askey & Associates, CPA, LLC

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Communication with Those Charged with Governance

September 20, 2024

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, 2024, and we will issue our report thereon dated September 20, 2024. 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 letter to you dated August 21, 2024. 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. As described in Note 1 the Alliance adopted accounting policies related to Current Expected Credit Losses by adopting FASB Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326), in fiscal year 2024. The impact of the adoption was not considered material to the financial statements. 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 and allocation of functional business expenses 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. Management has corrected all such misstatements. The attached adjusting journal entry report lists material misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on 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 September 20, 2024.

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