

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Together With Independent Auditor's Report)

BERT SMITH
& Co.

Certified Public Accountants and Management Consultants

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cedar Tree Academy Public Charter School
Washington, D.C.

Report on Financial Statements

We have audited the accompanying financial statements of Cedar Tree Academy Public Charter School (the School), formerly Howard Road Public Charter School, which comprise the statements of financial position as of June 30, 2015 and 2014, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the School as of June 30, 2015 and 2014, 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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses on page 14 and the schedule of expenditures of federal awards on page 19 as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations," are presented for the purpose of additional analysis and are not a required part of the basic 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 supplemental schedules are 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 30, 2015 on our consideration of the School'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 the School's internal control over financial reporting and compliance.

BSPB Smith & Co -

October 30, 2015
Washington, D.C.

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 9,003,129	\$ 7,683,182
Due from District Government	222,182	285,251
Investments	290,354	286,010
Deferred Charges, net	14,729	14,729
Interest Rate Swap	45,481	165,017
Other Assets	40,145	56,466
Total Current Assets	<u>9,616,020</u>	<u>8,490,655</u>
Noncurrent Assets		
Restricted Cash	483,000	483,000
Deferred Charges, net	223,383	238,112
Fixed Assets, net	9,239,662	9,532,190
Total Noncurrent Assets	<u>9,946,045</u>	<u>10,253,302</u>
Total Assets	<u><u>\$ 19,562,065</u></u>	<u><u>\$ 18,743,957</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 188,940	\$ 188,549
Accrued Payroll and Taxes	279,007	237,425
Due to D.C. Public Charter School Board	87,818	83,114
Deferred Revenue	-	140,691
Notes Payable – Current Portion	293,465	285,004
Total Current Liabilities	<u>849,230</u>	<u>934,783</u>
Noncurrent Liabilities		
Notes Payable, net of current portion	6,156,516	6,449,683
Total Noncurrent Liabilities	<u>6,156,516</u>	<u>6,449,683</u>
Total Liabilities	<u>7,005,746</u>	<u>7,384,466</u>
Unrestricted Net Assets	<u>12,556,319</u>	<u>11,359,491</u>
Total Liabilities and Net Assets	<u><u>\$ 19,562,065</u></u>	<u><u>\$ 18,743,957</u></u>

The accompanying notes are an integral part of these financial statements.

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Revenue		
Per Pupil Allotment	\$ 5,130,750	\$ 4,115,110
Per Pupil Allotment-Facilities	1,099,776	966,000
Federal Revenue	591,764	1,023,376
Grant Revenue	230,115	-
Before and After Care	138,296	99,502
Interest Income	8,430	8,716
Fundraising Revenue	2,030	601
Rental Income	216,000	216,000
Other Income	61,059	22,344
Total Unrestricted Revenue	<u>7,478,220</u>	<u>6,451,649</u>
Expenses		
Program Services	3,889,935	3,577,312
General and Administration	2,271,921	1,962,213
Total Expenses	<u>6,161,856</u>	<u>5,539,525</u>
Change in Net Assets Before Change in Fair Value of Interest Rate Swap	1,316,364	912,124
Change in Fair Value of Interest Rate Swap	<u>(119,536)</u>	<u>(106,992)</u>
Change In Net Assets	1,196,828	805,132
Net Assets-Beginning of Year	<u>11,359,491</u>	<u>10,554,359</u>
Net Assets-End of Year	<u><u>\$ 12,556,319</u></u>	<u><u>\$ 11,359,491</u></u>

The accompanying notes are an integral part of these financial statements.

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,196,828	\$ 805,132
<i>Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</i>		
Depreciation and Amortization	324,540	356,602
Unrealized Loss on Interest Rate Swap	119,536	106,992
Gain (Loss) on Sale of Fixed Assets	5,332	(3,106)
<i>(Increase) Decrease in Assets</i>		
Receivables	63,069	141,168
Other Assets	16,325	48,400
<i>(Decrease) Increase in Liabilities</i>		
Accounts Payable	392	(88,168)
Due to D.C. Public Charter School Board	4,704	83,114
Accrued Payroll and Taxes	41,582	(227,719)
Deferred Revenue	(140,691)	(21,773)
Total Net Cash Provided by Operating Activities	<u>1,631,617</u>	<u>1,200,642</u>
Cash Flows from Investing Activities		
Purchase of Investments	(4,344)	(7,664)
Proceeds from the Sale of Fixed Assets	-	11,458
Purchase of Fixed Assets	(22,620)	(347,827)
Total Net Cash Used in Investing Activities	<u>(26,964)</u>	<u>(344,033)</u>
Cash Flows from Financing Activities		
Payments on Martin Luther King Campus Loan	(109,822)	(106,304)
Proceeds from Interest Rate Swap Loan	-	-
Payment on Interest Rate Swap Loan	-	(691,766)
Payments on Notes Loan Payable	(174,884)	(170,197)
Total Net Cash Used in Financing Activities	<u>(284,706)</u>	<u>(968,267)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,319,947	(111,658)
Cash and Cash Equivalents - Beginning of Year	<u>8,166,182</u>	<u>8,277,840</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 9,486,129</u></u>	<u><u>\$ 8,166,182</u></u>
Supplemental Disclosure		
Interest Expense Paid	<u>\$ 199,664</u>	<u>\$ 211,135</u>

The accompanying notes are an integral part of these financial statements.

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Cedar Tree Academy Public Charter School (the School), formerly known as Howard Road Public Charter School was organized in 1999 to operate a charter school pursuant to Section 2203 of the District of Columbia Education Law. On May 1, 2000, the School was granted a charter by the D.C. Public Charter School Board (PCSB) for a term of fifteen years, which was subsequently renewed.

On February 15, 2013, the PCSB approved a request by the School to amend its charter to only serve students in grades PS-K beginning with SY2013-14.

Effective July 1, 2013, the School began operating as Cedar Tree Academy Public Charter School which changed from operating three campuses to one campus.

Cedar Tree Academy believes all children have the right to be respected, accepted and embraced as having capable, young minds. As its mission, the School is committed to academic excellence for all students and achieves this by building a foundation for lifelong learning, in a safe, nurturing learning environment.

The School's major source of funding is an annual per pupil allotment from the Government of the District of Columbia (District). The School also receives funding from the federal government, student fees, and activities.

Basis of Accounting: The accompanying financial statements of the School have been prepared on the accrual basis of accounting.

Basis of Presentation: The School reports information regarding its financial position and activities in two classes of net assets: unrestricted net assets and temporarily restricted net assets.

- *Unrestricted Net Assets* - net assets that are not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets* - net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time. The School did not have any temporarily restricted net assets at June 30, 2015 and 2014.

Revenues are reported as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily restricted. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor restriction expires in the same reporting period, the School reports the contributions as unrestricted.

Revenue Recognition: The School records revenue when earned. Amounts received that have not been earned are recorded as deferred revenue.

Cash and Cash Equivalents: The School considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Fixed Assets: The School changed its capitalization policy and the estimated useful lives of its fixed assets in 2015. The changes were not made retroactive to earlier years. In 2014, the School capitalized bulk purchases as a group that had a unit cost in excess of \$1,000 and had total monetary values for one time acquisitions exceeding \$5,000. Depreciation expense is recorded using the straight-line method over the fixed assets estimated useful lives. Leasehold improvements are depreciated over the lease term.

Maintenance and repairs are expensed when incurred. The estimated useful lives are as follows:

Building	30 years
Building Improvements	30 years
Furniture and Equipment	7 years
Computers	3 years
Textbooks	5 years

Income Taxes: The School, a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state and local income taxes, and, accordingly, no provision for income taxes is included in the financial statements.

Financial Accounting Standards Board (FASB), Accounting Standards Codification 740, *Income Taxes* (ASC 740) requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. As of June 30, 2015 and 2014, management has assessed its various tax positions and it believes there are no liabilities for uncertain tax positions.

The School’s tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Investments: Investments are reported at fair value. Investment income is recognized as revenue and reported in the statement of activities and changes in net assets as increases or decreases in unrestricted unless it is temporarily restricted.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts of assets and liabilities. These estimates also affect the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized as additional information on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 CASH AND CASH EQUIVALENTS

	2015	2014
Unrestricted	\$ 9,003,129	\$ 7,683,182
Restricted	483,000	483,000
Total Cash and Cash Equivalents	<u>\$ 9,486,129</u>	<u>\$ 8,166,182</u>

Restricted Cash

Under the School's modified interest rate swap loan agreement, the bank required that \$483,000 of the School's operating cash be restricted.

Concentration of Credit Risk

The School maintains its cash in several financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2015 and 2014, the uninsured cash balances totaled \$8,900,599 and \$7,597,538, respectively.

NOTE 3 DUE FROM DISTRICT GOVERNMENT

The School receives an annual per pupil allotment and federal funds as a pass-through from the District. At June 30, 2015 and 2014, the amounts due from the District were \$222,182 and \$285,251, respectively.

NOTE 4 DEFERRED CHARGES

Deferred charges represent cost related to loan issuance costs. The costs are amortized over the life of the loan.

	2015	2014
Deferred Charges	\$ 276,161	\$ 276,161
Accumulated Amortization	(38,049)	(23,320)
Net Deferred Charges	<u>\$ 238,112</u>	<u>\$ 252,841</u>

The amortization expense for the fiscal years 2015 and 2014 were \$14,729.

NOTE 5 INVESTMENTS

The School's investments, which are reported at fair value consists of certificate of deposits totaling \$290,354 and \$286,010 at June 30, 2015 and 2014, respectively.

NOTE 6 FAIR VALUE MEASUREMENTS

In accordance with ASC No. 820-10, the School's assets and liabilities are reported at fair value. ASC No. 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels.

- Level 1** Quoted market prices for identical assets or liabilities in active markets.
- Level 2** Quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which significant inputs and significant value drivers are observable in active markets either directly or indirectly.
- Level 3** Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

The fair value of the School's assets and liabilities measured on a recurring basis at June 30, 2015 and 2014 are as follows:

		2015	
		Level 1	Level 2
Assets:			
Cash Equivalents		\$ 3,828,769	\$ -
Investments - Certificates of Deposit		-	290,354
Interest Rate Swap		-	45,481
Total		<u>\$ 3,828,769</u>	<u>\$ 335,835</u>
		2014	
		Level 1	Level 2
Assets:			
Cash Equivalents		\$ 3,849,658	\$ -
Investments - Certificates of Deposit		-	286,310
Interest Rate Swap		-	165,017
Total		<u>\$ 3,849,658</u>	<u>\$ 451,327</u>

Certificates of Deposit are valued based on original cost plus accrued interest.

Interest rate swaps are valued based on several market inputs such as interest rates, swap spreads, and yield curves.

NOTE 7 FIXED ASSETS

Fixed assets consist of the following at June 30:

		2015	2014
Land		\$ 1,000,000	\$ 1,000,000
Buildings		9,369,586	9,369,586
Building Improvements		347,636	339,167
Furniture and Equipment		1,905,564	1,926,534
Textbooks		440,319	440,319
Total Fixed Assets		<u>13,063,105</u>	<u>13,075,606</u>
Less: Accumulated Depreciation		<u>(3,823,443)</u>	<u>(3,543,416)</u>
Net Fixed Assets		<u>\$ 9,239,662</u>	<u>\$ 9,532,190</u>

Depreciation expense during the fiscal years June 30, 2015 and 2014 was \$309,811 and \$341,873, respectively.

NOTE 8 INTEREST RATE SWAPS

On November 28, 2007, the School entered into an interest rate swap agreement with Bank of America to reduce the impact of changes in interest rates on its floating rate long-term debt. Under the agreement, the School pays the bank interest at a fixed rate of 3.71% on the principal bond loan balance. The agreement was set to expire on December 1, 2024.

As discussed in Note 9, in November 2012, the School refinanced its existing debt with Branch Banking & Trust Company (BB&T). As part of that transaction, the School exited its original swap agreement and entered into two new swap agreements to hedge against variable interest rate risk on portions of the new debt. One of the swaps covers a \$2,900,000 loan and the other a \$4,400,000 loan. To unwind its existing swap, the School had to pay \$741,824 to the issuing bank in November 2012.

Under the original swap agreement, the School paid the bank interest at a fixed rate of 3.71% on the principal loan balance.

Under the new swap agreement that hedges its \$2,900,000 loan, the School pays interest at fixed rate of 3.25% on the principal loan balance. The swap expires on December 1, 2024. The School paid interest of \$47,423 and \$49,046 during fiscal years 2015 and 2014, respectively. At June 30, 2015 and 2014, the fair value of the interest rate swap totaled \$28,728 and \$84,482, respectively.

Under the new swap agreement that hedges its \$4,400,000 loan, the School pays interest at fixed rate of 2.72% on the principal loan balance. The swap expires on December 1, 2024. The School paid interest of \$ \$59,102 and \$61,231 during fiscal years 2015 and 2014, respectively. At June 30, 2015 and 2014, the fair value of the interest rate swap totaled \$16,753 and \$80,535, respectively. Both interest rate swaps are reflected as assets in the statements of financial position.

NOTE 9 NOTES PAYABLE

Bond Financing

In August 2004, the School purchased the main campus for \$7,000,000. The purchase was financed with a \$6,215,000 short-term bridge loan from a bank and a \$1,250,000 loan from the D.C. Office of Public Charter School Financing and Support which was subsequently paid in full in 2009.

In November 2004, the District issued in \$6,295,000 Series 2004 bonds. The bond proceeds were used to pay-off the School's short-term bridge loan. The bonds mature in 2024 and bear a variable interest rate. Pursuant to the bond issuance, the School entered into a loan agreement with the District.

In November 2012, the School refinanced the \$4,400,000 outstanding balance of these funds with BB&T.

During the fiscal years 2015 and 2014, the School paid interest to the Bond Trustee totaling \$54,428 and \$56,991, respectively. At June 30, 2015 and 2014, the total amount payable under the loan was \$3,984,967 and \$4,159,851, respectively.

The minimum principal payments as of June 30, 2015 are as follows:

2016	\$ 179,701
2017	184,650
2018	189,736
2019	194,961
2020	200,331
Thereafter	3,035,588
Total	<u>\$ 3,984,967</u>
Current Portion	\$ 179,701
Long-term Portion	3,805,266
Total	<u>\$ 3,984,967</u>

The minimum principal payments as of June 30, 2014 are as follows:

2015	\$ 174,884
2016	179,701
2017	184,650
2018	189,736
2019	194,961
Thereafter	3,235,919
Total	<u>\$ 4,159,851</u>
Current Portion	\$ 174,884
Long-term Portion	3,984,967
Total	<u>\$ 4,159,851</u>

The loan is secured by all of the School's assets and properties, including without limitation, all existing and future property of the School.

Letter of Credit

The District required the School to obtain a letter of credit to be drawn upon by the Bond Trustee in the event the School defaults on the repayment of the bonds. The School obtained a \$5,795,935 letter of credit from a bank concurrently with the issuance of the bonds. The letter of credit expired on December 1, 2012. Under the November 2012 bond issuance refinance discussed above, the School did not renew the letter of credit.

Martin Luther King Campus Loan

On August 31, 2009, the School obtained a \$3,000,000 loan to purchase a building on Martin Luther King Avenue for a second campus. The loan matured on September 1, 2019 and had a fixed interest rate of 6.5% for the first five years. After five years, the interest rate is the 30 day LIBOR rate, as published in the Wall Street Journal on September 1, 2014 plus 3%. In November 2012, the School refinanced this loan (\$2,900,000 total authorized in the loan documents, though a portion was repaid at closing) with a local bank. The new loan has a maturity date of December 1, 2024. Interest is BBA Monthly LIBOR + 135 BPS. This loan is hedged with a swap as described in Note 8 and is currently held with BB&T.

Interest paid during the fiscal year 2015 and 2014 was \$38,711 and \$40,602, respectively. At June 30, 2015 and 2014, the total amount payable under the loan was \$2,465,014 and \$2,574,836, respectively.

The minimum principal payments at June 30, 2015 are as follows:

2016	\$ 113,764
2017	117,529
2018	121,418
2019	125,436
2020	129,587
Thereafter	<u>1,857,280</u>
Total	<u>\$2,465,014</u>
Current Portion	\$ 113,764
Long-term Portion	<u>2,351,250</u>
Total	<u>\$2,465,014</u>

The minimum principal payments at June 30, 2014 are as follows:

2015	\$ 110,120
2016	113,764
2017	117,529
2018	121,418
2019	125,436
Thereafter	<u>1,986,569</u>
Total	<u>\$2,574,836</u>
Current Portion	\$ 110,120
Long-term Portion	<u>2,464,716</u>
Total	<u>\$2,574,836</u>

The loan is secured by the building. Under the new loan, the required ratio was 1.50:1 for 2015 and 2014. The School was in compliance with the covenant at June 30, 2015 and 2014.

NOTE 10 PER PUPIL ALLOTMENT

The School receives an annual per pupil allotment from the District that is based on its student enrollment. The pupil allotment represented about 83% and 79% of the School's total revenue. The total pupil allotment for fiscal years 2015 and 2014 were \$6,230,526 and \$5,081,110, respectively.

NOTE 11 RENTAL INCOME

The School leased its former Martin Luther King campus to another local charter school. The lessee signed a one-year lease. In 2015 and 2014, rental income totaled \$216,000.

NOTE 12 RETIREMENT PLAN

The School offers its employees a 401k plan. It matches up to 4% of the employees' salary at \$.25 on the dollar. In 2015 and 2014, the School retirement contribution totaled \$12,712 and \$8,314, respectively.

NOTE 13 SUBSEQUENT EVENTS

The School has evaluated any subsequent events through October 30, 2015, which is the date the financial statements were available to be issued. This review and evaluation revealed no material events that would have an effect on the accompanying financial statements.

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Program Services	General and Administration	2015	2014
Personnel Costs				
Salaries and Wages	\$ 2,475,616	\$ 632,992	\$ 3,108,608	\$ 2,521,350
Employee Benefits	213,690	54,638	268,328	269,068
Payroll Taxes	183,664	46,961	230,625	178,779
Professional Development	202,367	-	202,367	126,869
Travel and Meetings	-	404	404	1,668
Total Personnel Costs	3,075,337	734,995	3,810,332	3,097,734
Direct Student Costs				
Supplies and Materials	117,835	-	117,835	172,627
Transportation	27,311	-	27,311	20,217
Contracted Instruction Fees	254,650	-	254,650	264,433
Student Assessment	13,059	-	13,059	725
Total Direct Student Costs	412,855	-	412,855	458,002
Occupancy Expenses				
Rent	-	-	-	24,893
Maintenance and Repairs	-	128,951	128,951	142,869
Utilities	-	135,246	135,246	161,009
Contracted Building Services	-	167,902	167,902	134,796
Interest	-	199,664	199,664	211,135
Depreciation and Amortization - Facilities	-	216,708	216,708	219,059
Total Occupancy Expenses	-	848,471	848,471	893,761
Office Expenses				
Supplies and Materials	-	31,458	31,458	30,305
Equipment Rental	-	10,739	10,739	15,948
Telecommunications	-	21,950	21,950	25,452
Professional Fees	-	377,059	377,059	452,787
Printing and Publications	-	10,296	10,296	3,371
Advertising and Recruitment	5,810	60,681	66,491	137,562
Postage and Shipping	-	2,282	2,282	2,973
Computer and Related Expenses	2,230	4,621	6,851	(3,903)
Memberships and Subscriptions	-	4,152	4,152	1,927
Other Office Expenses	-	22,765	22,765	4,827
Total Office Expenses	8,040	546,003	554,043	671,249
General Expenses				
Insurance	-	33,393	33,393	42,763
Management Fee	-	-	-	(40,172)
Fees and Licenses	-	72,338	72,338	36,108
Food Service/Catering	285,871	21,511	307,382	234,133
Depreciation – Operating Assets	107,832	-	107,832	137,543
Other General Expenses	-	15,210	15,210	8,404
Total General Expenses	393,703	142,452	536,155	418,779
Total Expenses	\$ 3,889,935	\$ 2,271,921	\$ 6,161,856	\$ 5,539,525



**INDEPENDENT AUDITOR'S 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**

Board of Trustees
Cedar Tree Academy Public Charter School
Washington, D.C.

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 Cedar Tree Academy Public Charter School (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 the School'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jeff Smith & Co.

October 30, 2015
Washington, D.C.



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Board of Trustees
Cedar Tree Academy Public Charter School
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Cedar Tree Academy Public Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2015. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Bert Smith & Co." with a stylized flourish at the end.

October 30, 2015
Washington, D.C.

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
<i>Pass Through District of Columbia Office of State Superintendent of Education</i>			
Title I Part A Grants to Local Educational Agencies	84.010	SG010A	\$ 86,214
Title II Improving Teacher Quality State Grants	84.367	SG367A	29,643
IDEA Part B Special Education Grants to Local Education Agencies	84.027A	SG027A	15,052
McKinney Vento	84.196	-	10,000
Race to the Top	84.395A	ST395A	3,205
Soar Grant – Increasing Academic Quality	84.370A	-	187,123
Impact Aid	84.041	-	1,130
Total U.S. Department of Education			332,367
U.S. Department of Agriculture			
<i>Pass Through District of Columbia Office of State Superintendent of Education</i>			
National School Breakfast Program	10.553	-	75,029
National School Lunch Program	10.555	-	147,602
Fresh Fruits and Vegetables Program	10.589	-	36,766
Total U.S. Department of Agriculture			259,397
Total Expenditures of Federal Awards			\$ 591,764

The accompanying notes are an integral part of this schedule.

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Cedar Tree Academy Public Charter School (the School) under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant Deficiency(ies) identified that are not considered to be material weakness(es)? | None Reported |
| • Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant Deficiency(ies) identified that are not considered to be material weakness(es)? | None Reported |
| 2. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |
| 4. Identification of Major Programs: | |
| Soar Grant – Increasing Academic Quality | 84.370A |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low risk auditee: | Yes |

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

None Noted

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)
FOR THE YEAR ENDED JUNE 30, 2015

Section III – Federal Award Findings

None Noted