CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(Together With Independent Auditor's Report)

BERT SMITH & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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.

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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, 2016 and 2015, 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 is presented for the purpose of additional analysis and is 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 schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 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.

Bert Smith & Co.

October 28, 2016
Washington, D.C.

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
Assets		
Current Assets		
Cash and Cash Equivalents	$ 9,627,408	$ 9,003,129
Due from District Government	76,809	222,182
Investments	292,044	290,354
Deferred Charges, net	14,729	14,729
Interest Rate Swap	-	45,481
Other Assets	41,969	40,145
Total Current Assets	10,052,959	9,616,020
Noncurrent Assets		
Restricted Cash	483,000	483,000
Deferred Charges, net	208,663	223,383
Property and Equipment, net	9,044,528	9,239,662
Total Noncurrent Assets	9,736,191	9,946,045
Total Assets	$ 19,789,150	$ 19,562,065
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts Payable	$ 53,749	$ 188,940
Accrued Payroll and Taxes	290,176	279,007
Interest Swap Liability	317,525	-
Due to D.C. Public Charter School Board	-	87,818
Notes Payable - Current Portion	392,932	293,157
Total Current Liabilities	1,054,382	848,922
Noncurrent Liabilities		
Notes Payable	5,854,963	6,156,824
Total Noncurrent Liabilities	5,854,963	6,156,824
Total Liabilities	6,909,345	7,005,746
Net Assets-Unrestricted	12,879,805	12,556,319
Total Liabilities and Net Assets	$ 19,789,150	$ 19,562,065

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, 2016 AND 2015

	2016	2015
Unrestricted Revenue		
Per Pupil Allotment	$ 6,421,323	$ 6,230,526
Federal Revenue	549,371	591,764
Grant Revenue	94,170	230,115
Before and After Care	134,527	138,296
Interest Income	8,266	8,430
Fundraising Revenue	4,283	2,030
Rental Income	228,000	216,000
Other Income	9,636	61,059
Total Unrestricted Revenue	7,449,576	7,478,220
Expenses		
Program Services	4,560,157	3,889,935
Management and General	2,202,927	2,271,921
Total Expenses	6,763,084	6,161,856
Change in Net Assets Before Interest Rate Swap Fair Value Change	686,492	1,316,364
Interest Rate Swap Fair Value Change	(363,006)	(119,536)
Change In Net Assets	323,486	1,196,828
Net Assets, Beginning of Year	12,556,319	11,359,491
Net Assets, End of Year	$ 12,879,805	$ 12,556,319

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, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Change in Net Assets	$ 323,486	$ 1,196,828
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	311,002	324,540
Unrealized Loss on Interest Rate Swap	363,006	119,536
Loss on Sale of Property and Equipment	-	5,332
(Increase) Decrease in Assets		
Receivables	145,373	63,069
Other Assets	(1,824)	16,325
(Decrease) Increase in Liabilities		
Accounts Payable	(135,196)	392
Accrued Payroll and Taxes	11,169	41,582
Due to D.C. Public Charter School Board	(87,818)	4,704
Deferred Revenue	-	(140,691)
Net Cash Provided by Operating Activities	929,198	1,631,617
Cash Flows from Investing Activities		
Purchase of Investments	(1,690)	(4,344)
Purchase of Fixed Assets	(101,143)	(22,620)
Net Cash Used in Investing Activities	(102,833)	(26,964)
Cash Flows from Financing Activities		
Payments on Martin Luther King Campus Loan	(88,630)	(109,822)
Payments on Notes Loan Payable	(113,456)	(174,884)
Net Cash Used in Financing Activities	(202,086)	(284,706)
Net Increase in Cash and Cash Equivalents	624,279	1,319,947
Cash and Cash Equivalents, Beginning of Year	9,486,129	8,166,182
Cash and Cash Equivalents, End of Year	$ 10,110,408	$ 9,486,129
Supplemental Disclosure		
Interest Expense Paid	$ 191,417	$ 199,664

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

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. The School serves students in grades PK-3 through kindergarten.

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, 2016 and 2015.

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.

Property and Equipment: The School capitalizes 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, 2016 and 2015, 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.

Reclassifications: Certain amounts from 2015 have been reclassified to conform to the 2016 financial statement presentation.

NOTE 2 CASH AND CASH EQUIVALENTS

	2016	**2015**
Unrestricted	$ 9,627,408	$ 9,003,129
Restricted	483,000	483,000
Total Cash and Cash Equivalents	$10,110,408	$ 9,486,129

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, 2016 and 2015, the uninsured cash balances totaled $9,537,025 and $8,900,599, 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, 2016 and 2015, the amounts due from the District were $76,809 and $222,182, respectively.

NOTE 4 DEFERRED CHARGES

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

	2016	2015
Deferred Charges	$ 276,161	$ 276,161
Accumulated Amortization	(52,769)	(38,049)
Net Deferred Charges	$ 223,392	$ 238,112

The amortization expense for the fiscal years 2016 and 2015 were $14,720 and $14,729, respectively.

NOTE 5 INVESTMENTS

The School's investments, which are reported at fair value consists of certificate of deposits totaling $292,044 and $290,354 at June 30, 2016 and 2015, 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, 2016 and 2015 are as follows:

	2016	
	Level 1	**Level 2**
Assets:		
Cash Equivalents	$ 3,776,776	$ -
Investments - Certificates of Deposit	-	292,044
Liability:		
Interest Rate Swap	-	317,525
Total	$ 3,776,776	$ 609,569

	2015	
	Level 1	**Level 2**
Assets:		
Cash Equivalents	$ 3,828,769	$ -
Investments - Certificates of Deposit	-	290,354
Interest Rate Swap	-	45,481
Total	$ 3,828,769	$ 335,835

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 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2016	**2015**
Land	$ 1,000,000	$ 1,000,000
Buildings	9,369,586	9,369,586
Building Improvements	400,540	347,636
Furniture and Equipment	1,953,803	1,905,564
Textbooks	440,319	440,319
Total Fixed Assets	13,164,248	13,063,105
Less: Accumulated Depreciation	(4,119,720)	(3,823,443)
Net Fixed Assets	$ 9,044,528	$ 9,239,662

Depreciation expense during the fiscal years June 30, 2016 and 2015 was $296,273 and $309,811, 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 $42,117 and $47,423 during fiscal years 2016 and 2015, respectively. At June 30, 2016 and 2015, the fair value of the interest rate swap totaled $(138,170) and $28,728, 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 $52,595 and $59,102 during fiscal years 2016 and 2015, respectively. At June 30, 2016 and 2015, the fair value of the interest rate swap totaled $(179,355) and $16,753, respectively. The interest rate swaps are reflected in the statements of financial position as a liability in 2016 and as an asset in 2015.

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 2016 and 2015, the School paid interest to the Bond Trustee totaling $56,367 and $54,428, respectively. At June 30, 2016 and 2015, the total amount payable under the loan was $3,896,337 and $3,984,967, respectively.

The minimum principal payments as of June 30, 2016 are as follows:

2017	$ 275,721
2018	189,736
2019	194,961
2020	200,331
2021	205,748
Thereafter	2,829,840
Total	$ 3,896,337
Current Portion	$ 275,721
Long-term Portion	3,620,616
Total	$ 3,896,337

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	$ 3,984,967
Current Portion	$ 179,701
Long-term Portion	3,805,266
Total	$ 3,984,967

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

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 2016 and 2015 was $40,337 and $38,711, respectively. At June 30, 2016 and 2015, the total amount payable under the loan was $2,351,558 and $2,465,014, respectively.

The minimum principal payments at June 30, 2016 are as follows:

2017	$ 117,211
2018	121,089
2019	125,096
2020	129,236
2021	133,513
Thereafter	1,725,413
Total	$2,351,558
Current Portion	$ 117,211
Long-term Portion	2,234,347
Total	$2,351,558

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

2016	$ 113,456
2017	117,211
2018	121,089
2019	125,096
2020	129,236
Thereafter	1,858,926
Total	$2,465,014
Current Portion	$ 113,456
Long-term Portion	2,351,558
Total	$2,465,014

The loan is secured by the building. Under the new loan, the required ratio was 1.50:1 for 2016 and 2015. The School was in compliance with the covenant at June 30, 2016 and 2015.

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 86% and 83% of the School's total revenue for each respective year. The per pupil allotment consist of the following at year-end:

	2016	**2015**
Per Pupil Allotment – Education	$ 5,277,939	$ 5,130,750
Per Pupil Allotment – Facilities	1,143,384	1,099,776
Total	$ 6,421,323	$ 6,230,526

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 2016 and 2015, rental income totaled $228,000 and $216,000, respectively.

NOTE 12 RETIREMENT PLAN

The School offers its employees a 401(k) plan. Effective September 01, 2015, the School approved an increase of its 401(k) match from .25 of a dollar to 100% up to 4% of the employee's gross pay. In 2016 and 2015, the School retirement contribution totaled $43,930 and $12,712, respectively.

NOTE 13 SUBSEQUENT EVENTS

The School has evaluated any subsequent events through October 28, 2016, 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, 2016
(With Comparative Totals for 2015)

	Program Services	General and Administration	2016	2015
Personnel Costs				
Salaries and Wages	$ 2,806,265	$ 582,396	$3,388,661	$ 3,108,608
Employee Benefits	251,270	52,147	303,417	268,328
Payroll Taxes	256,124	53,154	309,278	230,625
Professional Development	372,700	-	372,700	202,367
Travel and Meetings	222	-	222	404
Total Personnel Costs	3,686,581	687,697	4,374,278	3,810,332
Direct Student Costs				
Supplies and Materials	153,740	-	153,740	117,835
Transportation	37,905	-	37,905	27,311
Contracted Instruction Fees	263,290	-	263,290	254,650
Student Assessment	3,651	-	3,651	13,059
Total Direct Student Costs	458,586	-	458,586	412,855
Occupancy Expenses				
Maintenance and Repairs	-	128,966	128,966	128,951
Utilities	-	119,692	119,692	135,246
Contracted Building Services	-	171,762	171,762	167,902
Interest	-	191,417	191,417	199,664
Depreciation and Amortization - Facilities	-	218,011	218,011	216,708
Total Occupancy Expenses	-	829,848	829,848	848,471
Office Expenses				
Supplies and Materials	-	46,026	46,026	31,458
Equipment Rental	-	16,263	16,263	10,739
Telecommunications	-	16,409	16,409	21,950
Professional Fees	-	352,148	352,148	377,059
Printing and Publications	-	15,546	15,546	10,296
Advertising and Recruitment	32,755	78,996	111,751	66,491
Postage and Shipping	-	4,096	4,096	2,282
Computer and Related Expenses	-	-	-	6,851
Memberships and Subscriptions	-	13,466	13,466	4,152
Other Office Expenses	-	-	-	22,765
Total Office Expenses	32,755	542,950	575,705	554,043
General Expenses				
Insurance	-	53,346	53,346	33,393
Fees and Licenses	-	75,240	75,240	72,338
Food Service/Catering	289,244	-	289,244	307,382
Depreciation – Operating Assets	92,991	-	92,991	107,832
Other General Expenses	-	13,846	13,846	15,210
Total General Expenses	382,235	142,432	524,667	536,155
Total Expenses	$ 4,560,157	$ 2,202,927	$ 6,763,084	$ 6,161,856

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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, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

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.

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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.

Bert Smith & Co.

October 28, 2016
Washington, D.C.