CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Together With Independent Auditor's Report)

BSC
BERT SMITH & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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

Change in Accounting Principle

During the fiscal year 2017, the School adopted *FASB 835-30 Interest-Imputation of Interest Simplifying the Presentation of Debt Issuance Costs*. Under the amendment, which was effective for fiscal years beginning after December 15, 2015, debt issuance costs related to the School's note payable was reported on the statement of financial position as a direct deduction from the face amount of the note instead of as a deferred charge. In addition, amortization of the debt issuance costs is reported as interest expense. Our auditor's opinion was not modified respective to the amendment.

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 30, 2017 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 30, 2017
Washington, D.C.

CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	$ 10,359,001	$ 9,627,408
Due from District Government	89,235	76,809
Investments	293,472	292,044
Interest Rate Swap	5,895	-
Other Assets	39,197	41,969
Total Current Assets	10,786,800	10,038,230
Noncurrent Assets		
Restricted Cash	483,000	483,000
Property and Equipment, net	8,796,847	9,044,528
Total Noncurrent Assets	9,279,847	9,527,528
Total Assets	$ 20,066,647	$ 19,565,758
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts Payable	$ 54,423	$ 53,749
Accrued Payroll and Taxes	353,720	290,176
Deferred Revenue	4,943	-
Interest Swap Liability	-	317,525
Notes Payable, net	296,101	378,208
Total Current Liabilities	709,187	1,039,658
Noncurrent Liabilities		
Notes Payable, net	5,350,194	5,646,295
Total Noncurrent Liabilities	5,350,194	5,646,295
Total Liabilities	6,059,381	6,685,953
Net Assets-Unrestricted	14,007,266	12,879,805
Total Liabilities and Net Assets	$ 20,066,647	$ 19,565,758

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, 2017 AND 2016

	2017	2016
Revenue and Support		
Per Pupil Allotment	$ 6,885,616	$ 6,421,323
Federal Revenue	571,211	549,371
Grant Revenue	31,477	94,170
Before and After Care	129,447	134,527
Interest Income	8,951	8,266
Rental Income	240,000	228,000
Gain on Sale of Property	49,632	-
Other Income	12,464	13,919
Total Revenue and Support	7,928,798	7,449,576
Expenses		
Program Services	4,990,762	4,560,157
Management and General	2,133,995	2,202,927
Total Expenses	7,124,757	6,763,084
Change in Net Assets Before Interest Rate Swap Fair Value Change	804,041	686,492
Interest Rate Swap Fair Value Change	323,420	(363,006)
Change In Net Assets	1,127,461	323,486
Net Assets, Beginning of Year	12,879,805	12,556,319
Net Assets, End of Year	$ 14,007,266	$ 12,879,805

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, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	$ 1,127,461	$ 323,486
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	264,608	296,278
Gain on Sale of Property	(49,632)	-
Unrealized (Gain) Loss on Interest Rate Swap	(323,420)	363,006
Amortization of Debt Issuance Costs	14,724	14,724
(Increase) Decrease in Assets		
Receivables	(12,426)	145,373
Other Assets	2,772	(1,828)
(Decrease) Increase in Liabilities		
Accounts Payable	674	(135,191)
Accrued Payroll and Taxes	63,544	11,169
Due to D.C. Public Charter School Board	-	(87,818)
Deferred Revenue	4,943	-
Net Cash Provided by Operating Activities	1,093,248	929,199
Cash Flows from Investing Activities		
Proceeds from the Sale of Property	59,653	-
Purchase of Investments	(1,428)	(1,690)
Purchase of Fixed Assets	(26,948)	(101,144)
Net Cash Provided by (Used in) Investing Activities	31,277	(102,834)
Cash Flows from Financing Activities		
Payments on Martin Luther King Campus Loan	(275,721)	(88,630)
Payments on Notes Loan Payable	(117,211)	(113,456)
Net Cash Used in Financing Activities	(392,932)	(202,086)
Net Increase in Cash and Cash Equivalents	731,593	624,279
Cash and Cash Equivalents, Beginning of Year	10,110,408	9,486,129
Cash and Cash Equivalents, End of Year	$ 10,842,001	$ 10,110,408
Supplemental Disclosure		
Interest Expense Paid	$ 181,894	$ 191,417

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. In fiscal years 2017 and 2016, the School received federal funding as a pass-through from the District from the U.S. Department of Education and U.S. Department of Agriculture.

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, 2017 and 2016.

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, 2017 and 2016, 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 2016 have been reclassified to conform to the 2017 financial statement presentation.

Pronouncements Adopted: *Financial Accounting Standards Board* **(***FASB) 835-30 Interest-Imputation of Interest Simplifying the Presentation of Debt Issuance Costs.* Under the amendment, which was effective for fiscal years beginning after December 15, 2015, debt issuance costs related to a note are reported on the statement of financial position as direct deduction from the face amount of the note instead of as deferred charge. In addition, amortization of the debt issuance costs is reported as interest expense in the financial statements. The change was applied retrospectively to the fiscal year 2016 financial statements.

Pronouncements to Be Adopted: *FASB 958, "Presentation of Financial Statements of Not-for-Profit Entities".* This standard enhances disclosures and amends the requirements for financial statements and notes for non-profit organizations to require the presentation of the financial statements in two classes of net assets rather than for the currently required three classes. In addition, the amendment no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The School has elected not to early implement.

Accounting Standards Update (ASU) Topic 230, "Statement of Cash Flows". The amendment require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments are are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The School has elected not to early implement.

NOTE 2 CASH AND CASH EQUIVALENTS

	2017	2016
Unrestricted	$10,359,001	$ 9,627,408
Restricted	483,000	483,000
Total Cash and Cash Equivalents	$10,842,001	$10,110,408

Restricted Cash
Under the School's modified interest rate swap loan agreement (see Note 7), 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, 2017 and 2016, the uninsured cash balances totaled $10,274,644 and $9,537,025, 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, 2017 and 2016, the amounts due from the District were $89,235 and $76,809, respectively.

NOTE 4 INVESTMENTS

The School's investments, which are reported at fair value consists of certificate of deposits totaling $293,472 and $292,044 at June 30, 2017 and 2016, respectively.

NOTE 5 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, 2017 and 2016 are as follows:

	2017	
	Level 1	**Level 2**
Assets:		
Cash Equivalents	$ 3,737,029	$ -
Investments - Certificates of Deposit	-	293,472
Interest Rate Swap	-	5,895
Total	$ 3,737,029	$ 299,367

	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

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 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2017	2016
Land	$ 989,979	$ 1,000,000
Buildings	9,369,586	9,369,586
Building Improvements	421,464	400,540
Furniture and Equipment	1,959,827	1,953,803
Textbooks	440,319	440,319
Total Fixed Assets	13,181,175	13,164,248
Less: Accumulated Depreciation	(4,384,328)	(4,119,720)
Net Fixed Assets	$ 8,796,847	$ 9,044,528

Depreciation expense during the fiscal years June 30, 2017 and 2016 was $264,608 and $296,278, respectively.

NOTE 7 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 8, 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 $31,044 and $42,117 during fiscal years 2017 and 2016, respectively. At June 30, 2016, the interest rate swap had a negative value of $138,170. At June 30, 2017, the interest rate swap had a positive value of $8,529.

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 $39,226 and $52,595 during fiscal years 2017 and 2016, respectively. At June 30, 2017 and 2016, the interest rate swap had negative values of $2,634 and $179,355, respectively. The interest rate swaps are reflected in the statements of financial position as assets in 2017 and as a liability in 2016.

NOTE 8 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. The debt issuance costs related to the note totaled $276,161. These costs are amortized over the life of note and are reflected as a reduction to the note payable in the statement of financial position. The amortization of the debt issuance costs, which is reflected as interest expense in the supplemental schedule of functional expense, was $14,724 for 2017 and 2016. At June 30, 2017 and 2016, the unamortized debt issuance costs totaled $208,668 and $223,392, respectively.

During the fiscal years 2017 and 2016, the School paid interest to the Bond Trustee totaling $64,831 and $56,367, respectively. At June 30, 2017 and 2016, the total amount payable under the loan was $3,620,616 and $3,896,337, respectively.

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

The minimum principal payments as of June 30, 2017 are as follows:

2018	$ 189,736
2019	194,961
2020	200,331
2021	205,848
2022	211,518
Thereafter	2,618,222
Total	$ 3,620,616

	Note Payable	Unamortized Debt Issuance Costs	2017 Note Payable
Current Portion	$ 189,736	$ (14,724)	$ 175,012
Long-term Portion	3,430,880	(193,944)	3,236,936
	$ 3,620,616	$ (208,668)	$ 3,411,948

	Note Payable	Unamortized Debt Issuance Costs	2016 Note Payable
Current Portion	$ 275,721	$ (14,724)	$ 260,997
Long-term Portion	3,620,616	(208,668)	3,411,948
	$ 3,896,337	$ (223,392)	$ 3,672,945

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 matures 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 7 and is currently held with BB&T.

Interest paid during the fiscal year 2017 and 2016 was $46,793 and $40,337, respectively. At June 30, 2017 and 2016, the total amount payable under the loan was $2,234,347 and $2,351,558, respectively.

The minimum principal payments at June 30, 2017 are as follows:

2018	$ 121,089
2019	125,096
2020	129,236
2021	133,513
2022	137,931
Thereafter	1,587,482
Total	$2,234,347
Current Portion	$ 121,089
Long-term Portion	2,113,258
Total	$2,234,347

The loan is secured by the building. Under the new loan, the required ratio was 1.50:1 for 2017 and 2016. The School was in compliance with the covenant at June 30, 2017 and 2016.

NOTE 9 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% of the School's total revenue for both fiscal years 2017 and 2016. The per pupil allotment consist of the following at year-end:

	2017	2016
Per Pupil Allotment – Education	$ 5,682,876	$ 5,277,939
Per Pupil Allotment – Facilities	1,202,740	1,143,384
Total	$ 6,885,616	$ 6,421,323

NOTE 10 RENTAL INCOME

The School leased its former Martin Luther King campus to another local charter school. The lessee signed a one-year lease. In 2017 and 2016, rental income totaled $240,000 and $228,000, respectively.

NOTE 11 RETIREMENT PLAN

The School offers its employees a 401(k) plan. It matches up to 4% of the employees' salary at $.25 on the dollar. In 2017 and 2016, the School retirement contribution totaled $49,464 and $43,930, respectively.

NOTE 12 SUBSEQUENT EVENTS

The School has evaluated any subsequent events through October 30, 2017, 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, 2017
(With Comparative Totals for 2016)

	Program Services	General and Administration	2017	2016
Personnel Costs				
Salaries and Wages	$ 3,253,992	$ 632,187	$ 3,886,179	$ 3,388,661
Employee Benefits	245,586	47,712	293,298	303,417
Payroll Taxes	289,149	56,176	345,325	309,278
Professional Development	382,395	-	382,395	372,700
Travel and Meetings	830	-	830	222
Total Personnel Costs	4,171,952	736,075	4,908,027	4,374,278
Direct Student Costs				
Supplies and Materials	141,570	-	141,570	153,740
Transportation	46,155	-	46,155	37,905
Contracted Instruction Fees	225,779	-	225,779	263,290
Student Assessment	21,705	-	21,705	3,651
Total Direct Student Costs	435,209	-	435,209	458,586
Occupancy Expenses				
Maintenance and Repairs	-	115,994	115,994	128,966
Utilities	-	126,407	126,407	119,692
Contracted Building Services	-	177,958	177,958	171,762
Interest	-	196,618	196,618	206,141
Depreciation - Facilities	-	202,357	202,357	203,287
Total Occupancy Expenses	-	819,334	819,334	829,848
Office Expenses				
Supplies and Materials	-	26,988	26,988	46,026
Equipment Rental	-	21,441	21,441	16,263
Telecommunications	-	16,884	16,884	16,409
Professional Fees	-	278,663	278,663	352,148
Printing and Publications	-	10,907	10,907	15,546
Advertising and Recruitment	42,055	81,315	123,370	111,751
Postage and Shipping	-	3,617	3,617	4,096
Memberships and Subscriptions	-	5,920	5,920	13,466
Total Office Expenses	42,055	445,735	487,790	575,705
General Expenses				
Insurance	-	37,610	37,610	53,346
Fees and Licenses	-	75,558	75,558	75,240
Food Service/Catering	279,295	-	279,295	289,244
Depreciation – Operating Assets	62,251	-	62,251	92,991
Other General Expenses	-	19,683	19,683	13,846
Total General Expenses	341,546	132,851	474,397	524,667
Total Expenses	$ 4,990,762	$ 2,133,995	$ 7,124,757	$ 6,763,084

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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, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2017.

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 30, 2017
Washington, D.C.