

**CAMBRIDGE PREPARATORY ACADEMY DC, INC.
D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC
CHARTER SCHOOL**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2015 AND 2014

TABLE OF CONTENTS

	<u>Page No</u>
INDEPENDENT AUDITOR’S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses, Year Ended June 30, 2015	6
Statement of Functional Expenses, Year Ended June 30, 2014	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 14
REPORTS AND SCHEDULES REQUIRED BY OMB CIRCULAR A-133	
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 <i>Government Auditing Standards</i>	15 - 16
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	17 - 18
Schedule of Expenditures of Federal Awards	19
Notes to the Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21 - 22



Independent Auditor's Report

The Board of Directors
Cambridge Preparatory Academy DC, Inc. D/B/A
Somerset Preparatory Academy Public Charter School
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Cambridge Preparatory Academy DC, Inc. D/B/A Somerset Preparatory Academy Public Charter School (the "School"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statement of activities, and cash flows for year 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 the 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Independent Auditor's Report
Cambridge Preparatory Academy DC, Inc. D/B/A
Somerset Preparatory Academy Public Charter School
Page Two

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 2015 financial statements referred to above present fairly, in all material respects, the financial position of Cambridge Preparatory Academy DC, Inc. D/B/A Somerset Preparatory Academy Public Charter School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of June 30, 2014, were audited by McQuade Brennan, LLP, who merged with Jones, Maresca & McQuade, P.A. as of February 1, 2015, and whose report dated October 31, 2014, expressed an unmodified opinion on those statements.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the 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 audits 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Independent Auditor's Report
Cambridge Preparatory Academy DC, Inc. D/B/A
Somerset Preparatory Academy Public Charter School
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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.

Jane Marwick & M^oQuade PA

Washington, DC
November 17, 2015

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 502,028	\$ 209,522
Grants receivable	171,429	69,917
Prepaid expenses and employee advances	38,274	34,123
Total current assets	711,731	313,562
PROPERTY AND EQUIPMENT, NET	338,143	171,616
OTHER ASSETS		
Deposits	5,000	5,000
Total other assets	5,000	5,000
TOTAL ASSETS	\$ 1,054,874	\$ 490,178
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 155,422	\$ 209,772
Accrued salaries and related expenses	190,198	99,418
Total current liabilities	345,620	309,190
NET ASSETS		
Unrestricted	709,254	180,989
Total net assets	709,254	180,989
TOTAL LIABILITIES AND NET ASSETS	\$ 1,054,874	\$ 490,178

See independent auditor's report and accompanying notes to the financial statements.

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
REVENUE AND SUPPORT		
Per pupil charter payments	\$ 3,827,803	\$ 1,927,150
Per pupil facilities allowance	737,280	480,000
Federal entitlements and grants	698,681	533,284
Other government grants	16,353	4,045
In-kind contributions	11,045	24,250
Activity fees	5,918	1,421
Other income	6,341	3,676
Total revenue and support	<u>5,303,421</u>	<u>2,973,826</u>
EXPENSES		
Programs - educational services	3,700,494	2,059,452
General and administrative services	1,073,200	726,091
Fundraising	1,459	2,500
Total expenses	<u>4,775,153</u>	<u>2,788,043</u>
CHANGE IN NET ASSETS	528,268	185,783
NET ASSETS, beginning of year	<u>180,986</u>	<u>(4,794)</u>
NET ASSETS, end of year	<u><u>\$ 709,254</u></u>	<u><u>\$ 180,989</u></u>

See independent auditor's report and accompanying notes to the financial statements.

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program - Educational Services	General and Administrative Services	Fundraising	Total
Personnel Costs				
Salaries	\$ 2,094,949	\$ 501,035	\$ -	\$ 2,595,984
Employee benefits	66,453	17,102	-	83,555
Payroll taxes	167,091	43,000	-	210,091
Professional development	50,673	-	-	50,673
Total Personnel Costs	<u>2,379,166</u>	<u>561,137</u>	<u>-</u>	<u>2,940,303</u>
Direct Student Costs				
Supplies and materials	192,175	-	-	192,175
Library and media center	5,910	-	-	5,910
Contracted instruction fees	194,132	-	-	194,132
Student assessments	9,307	-	-	9,307
Other student costs	55,819	-	-	55,819
Total Direct Student Costs	<u>457,343</u>	<u>-</u>	<u>-</u>	<u>457,343</u>
Occupancy Expenses				
Rent	471,859	117,965	-	589,824
Maintenance and repairs	13,879	3,470	-	17,349
Contracted building services	1,229	307	-	1,536
Total Occupancy Expenses	<u>486,967</u>	<u>121,742</u>	<u>-</u>	<u>608,709</u>
Office Expenses				
Office supplies and materials	50,045	12,511	-	62,556
Equipment rental	13,182	3,296	-	16,478
Telecommunications	14,591	3,648	-	18,239
Professional fees	-	71,097	-	71,097
Contracted technology support	13,574	3,394	-	16,968
Printing and copying	5,489	1,372	-	6,861
Postage and shipping	675	169	-	844
Other office expense	10,168	2,542	-	12,710
Total Office Expenses	<u>107,723</u>	<u>98,029</u>	<u>-</u>	<u>205,753</u>
General Expenses				
Insurance	18,224	4,556	-	22,780
Transportation	22,641	-	-	22,641
Bank & credit card fees	470	117	-	922
Depreciation	84,161	21,040	-	105,202
Food service/catering	132,025	-	-	132,025
Administration fee	-	65,261	-	65,261
Management fee	-	198,375	-	198,375
Other general expense	7,941	1,985	-	9,926
Food and entertainment	-	-	1,459	1,459
Memberships and subscriptions	3,832	958	-	4,789
Total General Expenses	<u>269,294</u>	<u>292,292</u>	<u>1,459</u>	<u>563,045</u>
Total Expenses	<u>\$ 3,700,494</u>	<u>\$ 1,073,200</u>	<u>\$ 1,459</u>	<u>\$ 4,775,153</u>

See independent auditor's report and accompanying notes to the financial statements.

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	Program - Educational Services	General and Administrative Services	Fundraising	Total
Personnel Costs				
Salaries	\$ 1,032,910	\$ 452,711	\$ -	\$ 1,485,621
Employee benefits	11,246	4,820	-	16,066
Payroll taxes	82,643	35,418	-	118,061
Professional development	23,417	-	-	23,417
Total Personnel Cost	<u>1,150,216</u>	<u>492,949</u>	<u>-</u>	<u>1,643,165</u>
Direct Student Costs				
Supplies and materials	138,354	-	-	138,354
Library and media center	6,042	-	-	6,042
Contracted instruction fees	125,460	-	-	125,460
Student assessments	21,632	-	-	21,632
Other student costs	37,999	-	-	37,999
Total Direct Student Costs	<u>329,487</u>	<u>-</u>	<u>-</u>	<u>329,487</u>
Occupancy Expenses				
Rent	307,200	76,800	-	384,000
Maintenance and repairs	2,186	547	-	2,733
Contracted building services	14,462	3,615	-	18,077
Total Occupancy Expenses	<u>323,848</u>	<u>80,962</u>	<u>-</u>	<u>404,810</u>
Office Expenses				
Office supplies and materials	39,007	9,752	-	48,759
Equipment rental	7,152	1,788	-	8,940
Telecommunications	8,699	2,175	-	10,874
Professional fees	-	22,385	-	22,385
Contracted technology support	13,482	3,370	-	16,852
Printing and copying	219	55	-	274
Postage and shipping	1,346	337	-	1,683
Other office expense	1,731	433	-	2,164
Total Office Expenses	<u>71,635</u>	<u>40,295</u>	<u>-</u>	<u>111,931</u>
General Expenses				
Insurance	27,470	6,867	-	34,337
Transportation	14,891	-	-	14,891
Bank & credit card fees	738	184	-	922
Depreciation	37,193	9,298	-	46,492
Food service/catering	100,580	-	-	100,580
Management fee	-	93,000	-	93,000
Other general expense	688	1,860	-	2,548
Food and entertainment	-	-	2,500	2,500
Memberships and subscriptions	2,706	676	-	3,381
Total General Expenses	<u>184,266</u>	<u>111,885</u>	<u>2,500</u>	<u>298,651</u>
Total Expenses	<u>\$ 2,059,452</u>	<u>\$ 726,091</u>	<u>\$ 2,500</u>	<u>\$ 2,788,044</u>

See independent auditor's report and accompanying notes to the financial statements.

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 528,268	\$ 185,783
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	105,201	46,492
(Increase) decrease in assets:		
Grants receivable	(101,512)	32,027
Prepaid expenses and employee advances	(4,151)	(34,123)
Deposits	-	(5,000)
Increase (decrease) in liabilities:		
Accounts payable	(54,351)	208,444
Accrued salaries and related expenses	90,780	131,223
Cash provided by operating activities:	564,235	564,846
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(271,729)	(216,010)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loans	-	(140,000)
 NET CHANGE IN CASH	292,506	208,836
 CASH, beginning of year	209,522	686
 CASH, end of year	\$ 502,028	\$ 209,522

See independent auditor's report and accompanying notes to the financial statements.

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE A - ORGANIZATION AND NATURE OF BUSINESS

Cambridge Preparatory Academy DC, Inc. d/b/a, Somerset Preparatory Academy Public Charter School (the School) is a not-for-profit organization, incorporated in the District of Columbia in 2011. The School is an affiliate of the Somerset Academy Inc., a Florida based charter school organization.

The School's mission is to promote a culture that maximizes student achievement and fosters the development of responsible, self-directed life-long learners in a safe and enriching environment. This is achieved by a rigorous academic environment focused on the fundamentals of leadership development, enhanced personal responsibility, and community involvement. For School years 2015-2014 and 2013-2014, the School served grades 6-9 and 6-8, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School's financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic Not-for-Profit Entities. In accordance with the topic, the School is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time. There were no temporarily restricted net assets as of June 30, 2015 and 2014.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the School. There were no permanently restricted net assets as of June 30, 2015 and 2014.

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Grants Receivable

Grants receivable consist of unsecured amounts due from public funding sources whose ability to pay are subject to appropriation. The School performs ongoing credit evaluations of its funding sources and generally does not require collateral. Grants receivable are reported net of the allowance for doubtful accounts, if any. The allowance, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected. Therefore, no allowance for doubtful accounts has been recorded.

Employee Advances

The School provides employee advances to staff that are approved by management. The advances are deducted from the employees' future salary payments per pay period until paid in full or at date of termination, if terminated before advance is paid in full.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The School capitalizes all expenditures for property and equipment over \$1,000. Depreciation is computed, using the straight-line method over the useful lives of the assets which ranges from three to seven years. When assets are sold or otherwise disposed of the asset and related accumulated depreciation are removed from the accounts and any remaining gain or loss is included in operations. Repairs and maintenance are expensed as incurred.

Grants and Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Restricted contributions that are expended in the year of receipt are included as unrestricted contributions in the statements of activities.

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Activity Fee

Activity fees are recognized at the time of the activity. This revenue is amounts collected from students from, but not restricted to, field trips, camps and other school related activities.

In-kind Contributions

In-kind contributions are recognized at fair market value at the date of the donation. The School received donated goods in the amount of \$11,045 and \$24,250, for the years ended June 30, 2015 and 2014, respectively.

Functional Expenses

The costs of providing the School's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

Reclassifications

Certain amounts for the year ended June 30, 2014 have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C- INCOME TAXES

The School qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)**

NOTE C - INCOME TAXES - continued

The School has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic of the FASB ASC. The topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits are expected be recorded related to any uncertain tax positions taken on returns filed for open tax years (2011-2013), or expected to be taken in its 2014 information return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

NOTE D - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30:

	2015	2014
Computers and equipment	\$ 353,164	\$ 117,865
Classroom furnishings	77,367	66,822
Office furnishings	59,494	33,609
	490,025	218,296
Less accumulated depreciation	(151,882)	(46,680)
Property and equipment, net	\$ 338,143	\$ 171,616

Depreciation expense for the years ended June 30, 2015 and 2014 totaled \$105,201 and \$46,491, respectively.

NOTE E - LEASE COMMITMENTS

Effective July 15, 2013, the School entered into a sublease agreement with the Charter School Incubator Initiative, a District of Columbia nonprofit corporation, to use the property located at 3301 Wheeler Road, S.E. The property is leased by the Charter School Incubator Initiative from the District of Columbia.

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)**

NOTE E - LEASE COMMITMENTS - continued

In accordance with the sublease agreement, the School pays the Charter School Incubator rent equal to eighty percent of an amount equivalent to the number of students enrolled on each census date (being every October, commencing October, 2013) multiplied by the per pupil facilities allowance received by the School from the District of Columbia. Utilities are provided by the Charter School Incubator Initiative at no additional cost to the School.

For the years ended June 30, 2015 and 2014, the rent expense totaled \$589,824 and \$384,000, respectively.

During 2015, the School entered into a second sublease agreement with the above entity for the period July 15, 2015 through July 14, 2016. For the year commencing July 1, 2015, the rent will be equal to ninety percent of the per pupil facilities allowance. This future commitment amounts cannot be determined due to the fact that the students enrolled on each census date is not a predetermined number.

NOTE F – COMMITMENTS AND CONTINGENT LIABILITIES

The School receives revenue from government grants and contracts that are subject to inspection and audit by the appropriate funding agency. The purpose of these inspections and audits is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The School is of the opinion that disallowance, if any, arising from such inspection or audits will not have a material effect on the financial statements. The School has no provisions for the possible disallowance of program costs on its financial statements.

NOTE G – CONCENTRATIONS OF RISK

The School places its cash with a financial institution which at times, may exceed the Federal Deposit Insurance Corporation's insurance limit of \$250,000. For the years ended June 30, 2015 and 2014, the School had \$250,000 of bank balances that exceeded the federally insured limit. The School has neither experienced, nor does it anticipate any loss of funds.

The School is supported primarily by local and federal appropriations and grants. For the years ended June 30, 2015 and 2014, 86% and 81%, respectively, of the total revenue was provided by one local government agency. Reduction of this source of support would have a significant impact on the School's programs and activities. Geographical area of clients served is Ward 8 of the District of Columbia.

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(continued)**

NOTE H – AVERAGE COST PER STUDENT

For the years ended June 30, 2015 and 2014 the average cost per student totaled \$19,896 and \$17,425, respectively. This is calculated by dividing total noncapital expenditures, by the School's full-time student enrollment.

NOTE I – SUPPORT SERVICES

In accordance with the support service agreement, the School pays Academica DC, LLC a fee for support services of \$600 per student full time equivalent student per annum. For the years ended June 30, 2015 and 2014, the School's support services expense totaled \$138,375 and \$93,000, respectively.

The School also has an affiliation cooperation agreement with Somerset Academy, Inc. for the period July 1, 2013 to June 30, 2016, after which the agreement will be automatically renewed for additional one-year terms. The affiliation agreement allows the School to use the licensed marks of Somerset Academy, Inc. and as its member, comply with all standards of the Somerset Network of schools. The annual affiliation fee is \$30,000 and the total amount expensed during the years ending June 30, 2015 and 2014 was \$60,000 and \$0, respectively.

NOTE J – RELATED PARTY TRANSACTION

The School sublease facilities from the Charter School Incubator Initiative, a District of Columbia nonprofit corporation whose director and president is a Board member of the School. The School's corporate policies include a conflict of interest policy that is reviewed and signed annually by the Board members.

NOTE K - SUBSEQUENT EVENTS

As required by the Subsequent Events topic of the FASB ASC, the School has evaluated the impact on its financial statements and disclosures of certain transactions occurring subsequent to its year end through the date of the auditors' report, which is the date the School's financial statements, were available to be issued. Management has determined that there are no subsequent events that require disclosure pursuant to the subsequent event topic.



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*

The Board of Directors
Cambridge Preparatory Academy DC, Inc. D/B/A
Somerset Preparatory Academy Public Charter School
Washington, DC

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cambridge Preparatory Academy DC, Inc. D/B/A Somerset Preparatory Academy Public Charter School, (a nonprofit organization), (the "School"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 17, 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jane Mauer & M^dQuade PA

Washington, DC
November 17, 2015



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

The Board of Directors
Cambridge Preparatory Academy DC, Inc. D/B/A
Somerset Preparatory Academy Public Charter School
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited Cambridge Preparatory Academy DC, Inc. D/B/A Somerset Preparatory Academy Public Charter School's (the School's) 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 programs are 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 for each of the School's major federal programs 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 each 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, Cambridge Preparatory Academy DC, Inc. D/B/A Somerset Preparatory Academy Public Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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.

Jane Murray & M^aQuade PA

Washington, DC
November 17, 2015

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
U. S. Department of Education			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Title I Grants to Local Educational Agencies			
NCLB Phase 15	84.010	52010A	\$ 120,256
Improving Teacher Quality State Grants			
Phase 15	84.367	52367A	37,787
DC School Choice Incentive Program:			
Increasing Academic Quality	84.370		115,059
Special Education Grants to States (IDEA, Part B)			
Phase 15	84.027	52027A	22,412
Charter Schools			
Implementation	84.282		274,807
Total U.S. Department of Education			<u>570,321</u>
U.S. Department of Agriculture - Food and Nutrition Service			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
School Breakfast Program	10.553		119,915
Total U.S. Department of Agriculture			<u>119,915</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 690,236</u></u>

See independent auditor's report and notes to the Schedule of Expenditures of Federal Awards.

**CAMBRIDGE PREPARATORY ACADEMY, DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2015. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (“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 B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the 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.

NOTE C – RECONCILIATION TO THE FINANCIAL STATEMENTS

Expenditures per the Schedule exclude \$8,445 of federal funds provided under the Federal Communications Commission E-Rate program, which are reported as federal entitlements and grant revenue in the statement of activities. Funding under the E-Rate program is considered to be federal funds, however, does not qualify as direct financial support, and therefore, is exempt from Single Audit requirements.

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on the financial statements Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weakness? No

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weakness? No

Any audit findings disclosed that are required to be reported under section 510(a) of Circular A-133? No

Major programs

Name of Federal Program: Charter School Implementation
CFDA Number 84.282

Name of Federal Program: DC School Choice Incentive Program
CFDA Number 84.370

**CAMBRIDGE PREPARATORY ACADEMY DC, INC. D/B/A
SOMERSET PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

SECTION I - SUMMARY OF AUDITOR'S RESULTS (continued)

Dollar threshold used to distinguish between
type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

SECTION II – FINANCIAL STATEMENTS FINDINGS

None

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None