

BRIDGES 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 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities, Year Ended June 30, 2015	4
Statements of Activities, Year Ended June 30, 2014	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 - 16
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>	17 - 18



Independent Auditor's Report

To the Board of Trustees of
Bridges Public Charter School
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Bridges Public Charter School (the "School"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2015 financial statements referred to above present fairly, in all material respects, the financial position of Bridges 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 November 12, 2014, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 on our consideration of Bridges Public Charter 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 Bridges Public Charter School's internal control over financial reporting and compliance.

Jane Maresca & McQuade PA

Washington, DC
November 20, 2015

**BRIDGES PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,555,854	\$ 1,422,746
Grants receivable	396,587	124,085
Accounts receivable, net	13,824	12,550
Prepaid expenses	62,789	49,618
Total current assets	2,029,054	1,608,999
PROPERTY AND EQUIPMENT, NET	820,038	94,311
OTHER ASSETS		
Deposits	52,838	52,838
Total other assets	52,838	52,838
TOTAL ASSETS	\$ 2,901,930	\$ 1,756,148
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 977,460	\$ 206,779
Accrued salary and related expenses	434,138	336,260
Deferred revenue	-	32,777
Deferred rent	27,165	36,493
Capital lease obligation, current portion	2,831	-
Total current liabilities	1,441,594	612,309
NON-CURRENT LIABILITIES		
Capital lease obligation, net of current portion	3,265	-
Total non-current liabilities	3,265	-
Total Liabilities	1,444,859	612,309
NET ASSETS		
Unrestricted	1,456,421	1,143,839
Temporarily restricted	650	-
Total net assets	1,457,071	1,143,839
TOTAL LIABILITIES AND NET ASSETS	\$ 2,901,930	\$ 1,756,148

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

BRIDGES PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 5,883,956	\$ -	\$ 5,883,956
Per pupil facility allowance	835,584	-	835,584
Federal entitlements and grants	457,389	-	457,389
Other government grants and contributions	12,616	-	12,616
Other private grants	50,660	650	51,310
Donated services and materials	28,804	-	28,804
Program service fees	49,209	-	49,209
Other revenue	17,559	-	17,559
Total revenue and support	7,335,777	650	7,336,427
EXPENSES			
Program - educational services	6,376,327	-	6,376,327
General and administrative services	644,007	-	644,007
Fundraising	2,861	-	2,861
Total expenses	7,023,195	-	7,023,195
CHANGE IN NET ASSETS	312,582	650	313,232
NET ASSETS, beginning of year	1,143,839	-	1,143,839
NET ASSETS, end of year	\$ 1,456,421	\$ 650	\$ 1,457,071

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

BRIDGES PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 4,164,137	\$ -	\$ 4,164,137
Per pupil facility allowance	633,000	-	633,000
Federal entitlements and grants	334,851	-	334,851
Other government grants and contributions	29,618	-	29,618
Other private grants	26,093	-	26,093
Donated services and materials	55,596	-	55,596
Program service fees	178,166	-	178,166
Other revenue	11,868	-	11,868
Total revenue and support	5,433,329	-	5,433,329
EXPENSES			
Program - educational services	4,563,268	-	4,563,268
General and administrative services	430,992	-	430,992
Total expenses	4,994,260	-	4,994,260
CHANGE IN NET ASSETS	439,069	-	439,069
NET ASSETS , beginning of year	704,770	-	704,770
NET ASSETS , end of year	\$ 1,143,839	\$ -	\$ 1,143,839

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

BRIDGES PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program - Educational Services	General and Administrative Services	Fundraising	Total
Personnel Costs				
Salaries	\$ 3,592,707	\$ 335,518	\$ -	\$ 3,928,225
Employee benefits	226,137	21,119	-	247,256
Payroll taxes	304,221	28,411	-	332,632
Professional development	66,840	6,242	-	73,082
Other staff-related expense	324	30	-	354
Total personnel costs	<u>4,190,229</u>	<u>391,320</u>	<u>-</u>	<u>4,581,549</u>
Direct student costs				
Supplies and materials	92,919	-	-	92,919
Contracted instruction fees	384,782	-	-	384,782
Textbooks	27,172	-	-	27,172
Student assessments	5,175	-	-	5,175
Other student costs	51,133	-	-	51,133
Total direct student costs	<u>561,181</u>	<u>-</u>	<u>-</u>	<u>561,181</u>
Occupancy Expense				
Rent	586,033	54,729	-	640,762
Maintenance and repairs	16,777	1,567	-	18,344
Utilities	74,105	6,921	-	81,026
Janitorial supplies	8,204	766	-	8,970
Contracted building services	73,849	6,897	-	80,746
Total occupancy expense	<u>758,968</u>	<u>70,880</u>	<u>-</u>	<u>829,848</u>
Office Expenses				
Office supplies	27,950	2,610	-	30,560
Equipment rental	31,483	2,940	-	34,423
Telecommunication	21,212	1,981	-	23,193
Professional fees	367,801	33,847	-	401,648
Postage and shipping	1,921	179	-	2,100
Membership and subscriptions	2,409	452	-	2,861
Other office expenses	8,133	760	-	8,893
Total office expenses	<u>460,909</u>	<u>42,769</u>	<u>-</u>	<u>503,678</u>
General Expenses				
Insurance	22,628	2,113	-	24,741
Interest	374	35	-	409
Bad debt expense	18,148	-	-	18,148
Donated services and goods	-	28,804	-	28,804
Administration fee	-	74,329	-	74,329
Depreciation and amortization	113,574	10,607	-	124,181
Food services	224,156	20,934	-	245,090
Other general expenses	26,160	2,216	2,861	31,237
Total general expenses	<u>405,040</u>	<u>139,038</u>	<u>2,861</u>	<u>546,939</u>
TOTAL EXPENSES	<u><u>\$ 6,376,327</u></u>	<u><u>\$ 644,007</u></u>	<u><u>\$ 2,861</u></u>	<u><u>\$ 7,023,195</u></u>

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

BRIDGES PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Program - Educational Services	General and Administrative Services	Total
Personnel Costs			
Salaries	\$ 2,679,022	\$ 208,736	\$ 2,887,758
Employee benefits	141,269	11,007	152,276
Payroll taxes	235,842	18,376	254,218
Professional development	28,640	2,232	30,872
Other staff-related expense	1,706	133	1,839
Total personnel costs	<u>3,086,479</u>	<u>240,484</u>	<u>3,326,963</u>
Direct student costs			
Supplies and materials	84,726	-	84,726
Contracted instruction fees	262,171	-	262,171
Textbooks	37,406	-	37,406
Student assessments	3,919	-	3,919
Fieldwork and other transportation	8,704	-	8,704
Other student costs	1,815	-	1,815
Total direct student costs	<u>398,741</u>	<u>-</u>	<u>398,741</u>
Occupancy Expense			
Rent	191,887	14,951	206,838
Maintenance and repairs	109,166	8,506	117,672
Utilities	100,257	7,811	108,068
Janitorial supplies	42,060	3,277	45,337
Contracted building services	12,991	1,012	14,003
Total occupancy expense	<u>456,361</u>	<u>35,557</u>	<u>491,918</u>
Office Expenses			
Office supplies	8,834	688	9,522
Equipment rental	16,888	1,316	18,204
Telecommunication	18,429	1,436	19,865
Professional fees	139,478	15,199	154,677
Postage and shipping	1,291	101	1,392
Membership and subscriptions	5,773	450	6,223
Other office expenses	10,501	818	11,319
Total office expenses	<u>201,194</u>	<u>20,008</u>	<u>221,202</u>
General Expenses			
Insurance	16,204	1,262	17,466
Bad debt expense	-	19,348	19,348
Administration fee	-	27,237	27,237
Depreciation and amortization	102,742	8,005	110,747
Food services	176,725	13,769	190,494
Donated services and goods	-	55,596	55,596
Other general expenses	124,822	9,726	134,548
Total general expenses	<u>420,493</u>	<u>134,943</u>	<u>555,436</u>
TOTAL EXPENSES	<u><u>\$ 4,563,268</u></u>	<u><u>\$ 430,992</u></u>	<u><u>\$ 4,994,260</u></u>

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

**BRIDGES 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	\$ 313,232	\$ 439,069
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	124,181	110,747
(Increase) decrease in assets:		
Grant receivable	(272,502)	24,090
Accounts receivable	(1,274)	19,348
Prepaid expenses	(13,171)	(21,805)
Deposits	-	(23,348)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	770,680	84,176
Accrued salaries and related expenses	97,878	131,314
Deferred revenue	(32,777)	3,863
Deferred rent	(9,328)	(25,502)
Net cash provided by operating activities	976,919	741,952
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(841,361)	(9,345)
Net cash used in investing activities	(841,361)	(9,345)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of capital lease obligations	(2,450)	-
Net cash used in financing activities	(2,450)	-
NET INCREASE IN CASH	133,108	732,607
CASH, beginning of year	1,422,746	690,139
CASH, end of year	\$ 1,555,854	\$ 1,422,746
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 409	\$ -
SUPPLEMENTAL DISCLOSURE OF NON CASH INFORMATION		
Acquisition of equipment under capital lease	\$ 8,546	\$ -

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

**BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE A – ORGANIZATION AND NATURE OF BUSINESS

Organization

Bridges Public Charter School (the “School”) was established to provide preschool education and after-care to students in the District of Columbia. The School was incorporated under the laws of the District of Columbia in August 2003 and was granted a 15-year charter to operate as a public charter school in the District of Columbia under the DC Public School Reform Act of 1995. In March 2012, the School was granted approval by the DC Public Charter School Board to expand into an elementary school program, to serve grades Pre-K through fifth. For the 2014-2015 school year, the School serviced students in grades Pre-K3 through second. For the 2013-2014 school year, the School serviced students in grades Pre-K3 through first. During November 2015, the School’s legal name was changed from Bridges Charter School to Bridges Public Charter School.

The School’s activities are funded primarily by the District of Columbia’s per pupil allocation formula supplemented with federal funds allocated to the State Education Agency to be distributed to schools for staff development, special education services, and other eligible expenses.

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. Temporarily restricted net assets for the years ended June 30, 2015 and 2014 totaled \$650 and \$0, respectively, and are restricted for field trips.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(Continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation (continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. There were no permanently restricted net assets for the years ended June 30, 2015 and 2014.

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.

Accounts Receivable

Accounts receivable are recorded when billed and represent claims against third parties that will be settled in cash. Accounts receivable are reported net of an allowance for doubtful accounts, if any. The allowance for doubtful accounts, 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. Past due accounts receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2015 and 2014, the allowance for doubtful accounts totaled \$31,411 and \$14,253, respectively.

Property and Equipment

The School capitalizes all expenditures for property and equipment over \$1,000 and a useful life of greater than one year. Property and equipment are stated at cost, or if donated at fair market value. Expenditures for maintenance and repairs are charged to expense when incurred. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are depreciated over the term of the lease.

Deferred Revenue

Deferred revenues resulted from per pupil appropriated income received in the current fiscal year and deferred until the next fiscal year in which the work is performed.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(Continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Rent

The School recognizes rent expense on a straight-line basis over the term of the lease. Deferred rent reflects the difference between rent expense recognized on a straight-line basis and cash outlays.

Grants and Contributions

Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the 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. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

Grant revenues are received primarily from the District of Columbia government. The grants are subject to audit by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Per Pupil Appropriations

The School receives appropriations from the District of Columbia Public Schools in the form of a per pupil allocation with additional funding for special education, No English Proficiency or Limited English Proficiency, extended school year and facilities and recognized when earned.

Program Service Fees

Activity fees are recognized at the time of the activity. Program service fees represent amounts collected from students for, but not restricted to, field trips, meals, camps and other school related activities.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(Continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Expenses

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

Donated Services and Materials

Donated materials are recognized at fair value at the date of the donation. The School received donated materials of \$5,274 and \$0, for the years ended June 30, 2015 and 2014, respectively. Donated services are recognized at fair value if the service requires specialized skills and would typically need to be purchased, if not donated. Contributed services and promises to give services, that do not meet the above criteria are not recognized. The School received donated legal services of \$23,530 and \$55,596, for the years ended June 30, 2015 and 2014, respectively.

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain accounts in the 2014 financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the previously reported net assets or change in net assets.

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).

BRIDGES 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. This 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 should 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	\$ 43,196	\$ 29,078
Furniture and equipment	54,094	44,094
Leasehold improvements	1,383,157	557,368
	1,480,447	630,540
Less: accumulated depreciation and amortization	(660,409)	(536,229)
Property and equipment, net	\$ 820,038	\$ 94,311

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 was \$124,181 and \$110,747, respectively.

NOTE E – LEASE COMMITMENTS

In June 2005, the School entered into a 10-year lease agreement for its facilities. Under the terms of the lease, the School is required to make monthly payments of \$14,745, which is increased annually by 3.5% on the anniversary of the rent commencement date of August 1, 2005. In April 2015, this lease was extended through July 1, 2016.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(Continued)

NOTE E – LEASE COMMITMENTS – continued

On June 27, 2014, the School entered into a 7-year lease agreement for additional facilities to accommodate the growth of the School. Under the terms of the lease the School is required to make monthly payments of \$23,348, which is increased annually by 3% on the anniversary of the lease commencement date of August 1, 2014 and ending July 1, 2021.

The above recording of rent expense on a straight-line basis results in deferred rent liabilities of \$27,165 and \$36,493, as of June 30, 2015 and 2014, respectively.

On July 18, 2014, the School entered into a lease agreement for additional facilities to accommodate the Early Childhood Public Charter School Program. This lease is for a period of two years that commenced August 1, 2013 and expires July 31, 2015. Under the terms of the lease the School is required to make monthly payments of \$11,134. This lease was extended by another year commencing August 1, 2015 and expiring July 1, 2016, for monthly payments of \$17,788.

The future minimum lease payments for the years ending June 30:

2016	\$ 743,568
2017	296,507
2018	305,412
2019	314,571
2020	324,004
Thereafter	361,602
Total	<u><u>\$ 2,345,664</u></u>

Rent expense for the years ended June 30, 2015 and 2014 totaled \$640,762 and \$206,838, respectively.

During 2015, the School entered into a lease agreement to lease copier equipment and has been classified as a capital lease. Capital leased equipment under this lease totaled \$8,546 and is included in property and equipment as furniture and equipment. Amortization expense reported in the statement of activities for the year ended June 30, 2015 includes \$2,611 for copier equipment under capital lease.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(Continued)

NOTE E – LEASE COMMITMENTS – continued

Future minimum payments required under the lease agreement for years ending June 30th are as follows:

2016	\$	3,120
2017		3,120
Thereafter		260
Total minimum lease payments		6,500
Less amounts representing interest		(404)
Present value of minimum lease payments	\$	6,096

NOTE F – PENSION PLAN

The School established a qualified 401k plan, under which the School will match dollar for dollar employee contributions up to 4% of the employee’s salary. Employees participating in the retirement plan must be employed by the School for two years before having a vested interest in the contributions made to their retirement plan by the School. The total contributions made by the School for the years ended June 30, 2015 and 2014, totaled \$29,146 and \$19,576, respectively

NOTE G – AVERAGE COST PER STUDENT

For the years ended June 30, 2015 and 2014, the average cost per student was \$24,738 and \$22,701, respectively. This is calculated by dividing total noncapital expenditures by the School’s full-time student enrollment.

NOTE H – CONCENTRATION OF RISK

As of June 30, 2015 and 2014, the School has held cash that exceeded federally insured limits by approximately \$1,241,000 and \$1,109,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

The School is supported primarily by local and federal appropriations and grants. For the years ended June 30, 2015 and 2014, 84% and 88%, 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. The geographical area of clients served is in the District of Columbia, with the majority from Wards 4 and 5.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
(Continued)

NOTE I – COMMITMENTS AND CONTINGENCY LIABILITIES

The School receives revenues from government grants and contracts that are subject to inspection and audit by the appropriate funding agency. The purpose 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 audits will not have a material effect on the financial statements. The School's financial statements reflect no provision for the possible disallowance of program costs.

NOTE J – SUBSEQUENT EVENTS

In accordance with FASC ASC Topic on subsequent events, the School evaluated subsequent events through the date of the auditor's report, which is the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.



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 Trustees
Bridges 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 Bridges 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 20, 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.

Bridges Public Charter School

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 Marston & McQuade PA

Washington, DC
November 20, 2015