D.C. Public Charter School Board

CHARTER REVIEW ANALYSIS

BRIDGES PUBLIC CHARTER SCHOOL

Executive Summary

Bridges Public Charter School has been in existence for six years. Based on the School Reform Act, §38-1802.13(a) (b)[1], Bridges Public Charter School is not a candidate for charter revocation. The school has not committed any known violations of the conditions, terms, standards or procedures set forth in the charter; has met the goals and student achievement expectations set forth in the charter; has engaged in generally accepted accounting principles; and has not engaged in a pattern of fiscal mismanagement and is economically viable.

Charter Review Analysis

The following analysis of Bridges Public Charter School's charter addresses whether it is a candidate for revocation based on §38-1802.13(a) (b) of the School Reform Act:

(1) Has the school committed a violation of applicable law or a material violation of the conditions, terms, standards, or procedures set forth in the charter, including violations relating to the education of children with disabilities? *No.*

There is no evidence that Bridges Public Charter School has committed a violation of applicable law or a material violation of the conditions, terms, standards, or procedures set forth in the charter, including violations relating to the education of children with disabilities. The school has submitted Annual Reports in a timely manner; is governed by a Board of Trustees in a manner consistent with the law; has maintained the health and safety of its students; and has not committed any known violations related to the education of children with disabilities. The school is not under PCSB corrective action and had no compliance, governance or financial issues during the 2009-2010 school year. Additionally, the school passed the Preliminary Charter Review's compliance, governance, and financial standards based on data from the 2005-2009 school years.

(2) Has the school failed to meet the goals and student academic achievement expectations set forth in the charter? *No.*

Bridges Public Charter School has achieved its goals and has met student achievement expectations. For example, Bridges' Gateway assessment is the Kindergarten readiness assessment tool the Bracken. The Bracken measures four year old students' knowledge in the following kindergarten-readiness areas: colors, letter recognition, numbers, sizes and shapes. The Bracken was administered in English and Spanish to all students who would be entering Kindergarten during the 2010-2011 school year. The benchmark for the Bracken assessment is a standard score of 85 or higher.

[1] Pursuant to the School Reform Act, §38-1802.13(a) (b), a public charter school may be a candidate for revocation if the eligible chartering authority determines that the school: 1) Committed a violation of applicable law or a material violation of the conditions, terms, standards, or procedures set forth in the charter, including violations relating to the education of children with disabilities; 2) Failed to meet the goals and student academic achievement expectations set forth in the charter; 3) Engaged in a pattern of non-adherence to generally accepted accounting principles; 4) Engaged in a pattern of fiscal mismanagement; or 5) Is no longer economically viable.

For the 2009-2010 school year 79% of all Bridges' pre-k students (4 year olds) met the benchmark of 85 or higher demonstrating kindergarten-readiness. 93% of four year old students who have been in the Bridges' program two years met the benchmark of 85 as a standard score or higher. When looking at student performance data separating of (non-ELL) and English Language Learners (ELL) the following results were recorded on the Bracken. For all non-ELL students (4 year olds) tested, 100% met the benchmark of 85. For all ELL students (4 year olds) tested, 79% met the benchmark of 85.

In further analysis of Bracken performance, special education students performed as well as or better than general education peers with 88% of four year olds meeting the benchmark of a standard score of 85. It is significant to note that comparison of all the groups (all 4 year olds, non-ELLs, ELLs, ELLs tested in English vs. Spanish and ELLS tested in both), near mastery of kindergarten readiness skills is demonstrated. With these results, it is evident that the Bridges' program is preparing the majority of four year olds for kindergarten success regardless of their language dominance or the language of test administration. It is also very clear that two years in the Bridges' program is more beneficial for student achievement than one year as 93% of four year olds met the benchmark as opposed to 79% of four year olds overall. For further quantitative and quantitative analysis please refer to the Student Outcomes Narrative.

(3) Has the school engaged in a pattern of non-adherence to generally accepted accounting principles?

Based on its interim financial reports and annual financial audits, Bridges PCS has adhered to GAAP. Key results of the FY10 financial audit are as follows:

<u>Summary of Audit Results (GAS)</u>

- The auditors' report expresses an unqualified opinion on the financial statements.
- Financial statements conform to accounting principles generally accepted in the United States of America.
- No deficiencies relating to the audit of the financial statements that were considered to be material weaknesses/ significant deficiencies were reported in the report of internal control over financial reporting
- No deficiencies relating to the audit of the financial statements that were considered to be material weaknesses/ significant deficiencies were reported on compliance and other matters based on an audit of financial statements performed in accordance with GAS.

- No instances of noncompliance material to the financial statements were disclosed during the audit.

Summary of prior audit findings and corrective action plan
Not applicable as there were no prior findings

Other information
The school incurred a $181K increase in net assets during the year

- **Cumulative net asset surplus of $241K**
    - **$334K of cash at the end of the year**

Overall, Bridges PCS has been efficient in administering accounting policies which follow PCSB accounting guidelines.

Bridges PCS has submitted it annual audits to the PCSB in a timely fashion. Each of the school's audits (FY06-10) received an unqualified opinion.

(4) Has the school engaged in a pattern of fiscal mismanagement?
Based on the information available, PCSB believes that the Bridges has solid fiscal management processes in place. The school's audit reports (FY06-FY10) reflect sound accounting and internal controls policies. The school has done an adequate good job submitting all necessary documents to PCSB for review when required. The school must aim to grow its cash reserve accumulation to a sufficient level capable of absorbing three to six months of operating expenditures. The school should continue to rely upon debt only when necessary.

For the year ending June 30, 2010, the school's nets assets increased to $242K up from $61K the prior year. Additionally, the school's liquidity ratio of 1.18 is an indication that school has rebounded from its earlier liquidity challenges. As with any not-for-profit organization, the school should seek to continuously improve its fiscal management and internal controls.

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(5) Is the school no longer economically viable?

Based on the information contained in the tables and charts above, PCSB staff concludes that Bridges PCS is economically viable and of sound fiscal health.

The following table is a representation the school's assets, liabilities and net assets at the conclusion of its last five fiscal periods (FY06 through FY10).

BRIDGES: 5-YEAR BALANCE SHEET ANALYSIS	2006	2007	2008	2009	2010
Assets					
Current Assets:					
Cash	$ 76,491	$ 54,090	$ 48,924	$ 45,952	$ 333,597
Accounts receivable	$ 113,954	$ 128,333	$ 219,078	$ 259,015	$ 82,834
Prepaid expenses	$ 23,700	$ 22,074	$ 23,724	$ 27,441	$ 13,163
Total Current Assets	$ 214,145	$ 204,497	$ 291,726	$ 332,408	$ 429,594
Fixed Assets					
PPE net	$ 398,062	$ 390,918	$ 348,410	$ 291,155	$ 239,899
Total NonCurrent Assets, net	$ 398,062	$ 390,918	$ 348,410	$ 291,155	$ 239,899
Other assets	$ 49,340	$ 42,309	$ 38,126	$ 33,942	$ 29,758
Total assets	**$ 661,547**	**$ 637,724**	**$ 678,262**	**$ 657,505**	**$ 699,251**
Liabilities and Net Assets					
Current liabilities					
Accounts payable	$ 102,895	$ 118,829	$ 171,152	$ 217,123	$ 178,091
Accrued compensation	$ 68,456	$ 97,033	$ 140,067	$ 135,888	$ 110,344
Line of credit	$ 98,375	$ 70,000	$ -	$ -	$ -
Deferred revenue	$ 47,470	$ 22,831	$ 84,885	$ 61,498	$ 69,485
Note payable, current portion	$ 73,004	$ 82,166	$ 84,665	$ 87,023	$ 7,370
Note from director	$ 2,500	$ -	$ -	$ -	$ -
Capital lease obligation, current	$ 3,590	$ 1,758	$ -	$ -	$ -
Total current liabilities	$ 396,290	$ 392,617	$ 480,769	$ 501,532	$ 365,290
Long-term liabilties					
Note payable, non-current	$ 260,807	$ 171,905	$ 87,240	$ 7,370	$ -
Deferred rent liability	$ 34,329	$ 59,066	$ 76,830	$ 88,044	$ 92,412
Obligation under capital lease, non-current	$ 2,101	$ -	$ -	$ -	$ -
Total liabilities	**$ 693,527**	**$ 623,588**	**$ 644,839**	**$ 596,946**	**$ 457,702**
Net Assets:					
Net Income	$ (74,516)	$ 46,116	$ 19,287	$ 27,136	$ 180,990
Beg. Net Assets	$ 42,536	$ (31,980)	$ 14,136	$ 33,423	$ 60,559
Total Net Assets (Ending Net Assets)	$ (31,980)	$ 14,136	$ 33,423	$ 60,559	$ 241,549
Total liabilities and net assets	**$ 661,547**	**$ 637,724**	**$ 678,262**	**$ 657,505**	**$ 699,251**
Long-term debt/ Total Equity ratio:	(8.1553)	12.1608	2.6102	0.1217	-
Net-working capital:	$ (182,145)	$ (188,120)	$ (189,043)	$ (169,124)	$ 64,304
Liqiudity ratio:	0.54	0.52	0.61	0.66	1.18

The school's total assets have remained somewhat flat ($600K-$700K) since FY2006.

Additionally, as the years have progressed, a greater portion of the total assets is attributable to current assets rather than fixed assets. Two positives… On the other hand, total liabilities have continued to decline over time, placing less stress on the school's budget and cash flows.

The following table is a representation of the school's revenues and expenditures over the last five fiscal periods (FY06 through FY10).

BRIDGES: 5-YEAR SOA ANALYSIS		2006		2007		2008		2009		2010
Revenue:										
Support and revenue:										
Revenue:	$	1,070,785	$	2,037,554	$	2,665,634	$	2,710,745	$	2,334,809
Total revenue	**$**	**1,070,785**	**$**	**2,037,554**	**$**	**2,665,634**	**$**	**2,710,745**	**$**	**2,334,809**
Expenses:										
Personnel costs	$	583,968	$	835,464	$	1,095,019	$	1,248,136	$	1,142,065
Direct Student costs	$	78,665	$	112,213	$	103,071	$	85,356	$	294,388
Occupancy expenses	$	210,221	$	274,101	$	290,226	$	249,696	$	277,540
General and administrative expenses	$	272,447	$	769,660	$	1,158,031	$	1,100,421	$	439,826
Total expenses	**$**	**1,145,301**	**$**	**1,991,438**	**$**	**2,646,347**	**$**	**2,683,609**	**$**	**2,153,819**
Net Income	$	(74,516)	$	46,116	$	19,287	$	27,136	$	180,990
Beginning Net Assets	$	42,536	$	(31,980)	$	14,136	$	33,423	$	60,559
Total Net Assets (Year End Balance)	$	(31,980)	$	14,136	$	33,423	$	60,559	$	241,549
Profit margin		**-7%**		**2%**		**1%**		**1%**		**8%**
Personnel costs/Total Revenue		**55%**		**41%**		**41%**		**46%**		**49%**
School Program/Total Revenue		**7%**		**6%**		**4%**		**3%**		**13%**
Occupancy expenses/Total Revenue		**20%**		**13%**		**11%**		**9%**		**12%**
G&A expenses/Total Revenue		**25%**		**38%**		**43%**		**41%**		**19%**

Bridges PCS has concluded its last four fiscal periods with positive net income balances. The school has been able to able to amass a net asset reserve as a result of its consistent budgetary successes (see table below). That said, school leadership must strive to grow the school's cash reserves to levels sufficient enough to cover three to six months of operating expenses.

Fiscal Period		2006		2007		2008		2009		2010
Net Income	$	(74,516)	$	46,116	$	19,287	$	27,136	$	180,990
Net Assets	$	(31,980)	$	14,136	$	33,423	$	60,559	$	241,549

Bridges PCS has been able to successfully manage its working capital needs and has been able to generate a positive working capital balance at the conclusion of its last fiscal period. The school struggled in the arena years 1 through 4 (see table below). Because of its recent budgetary successes, the school has sufficient liquid assets as indicated by the FY10 year ending liquidity ratio of 1.18.

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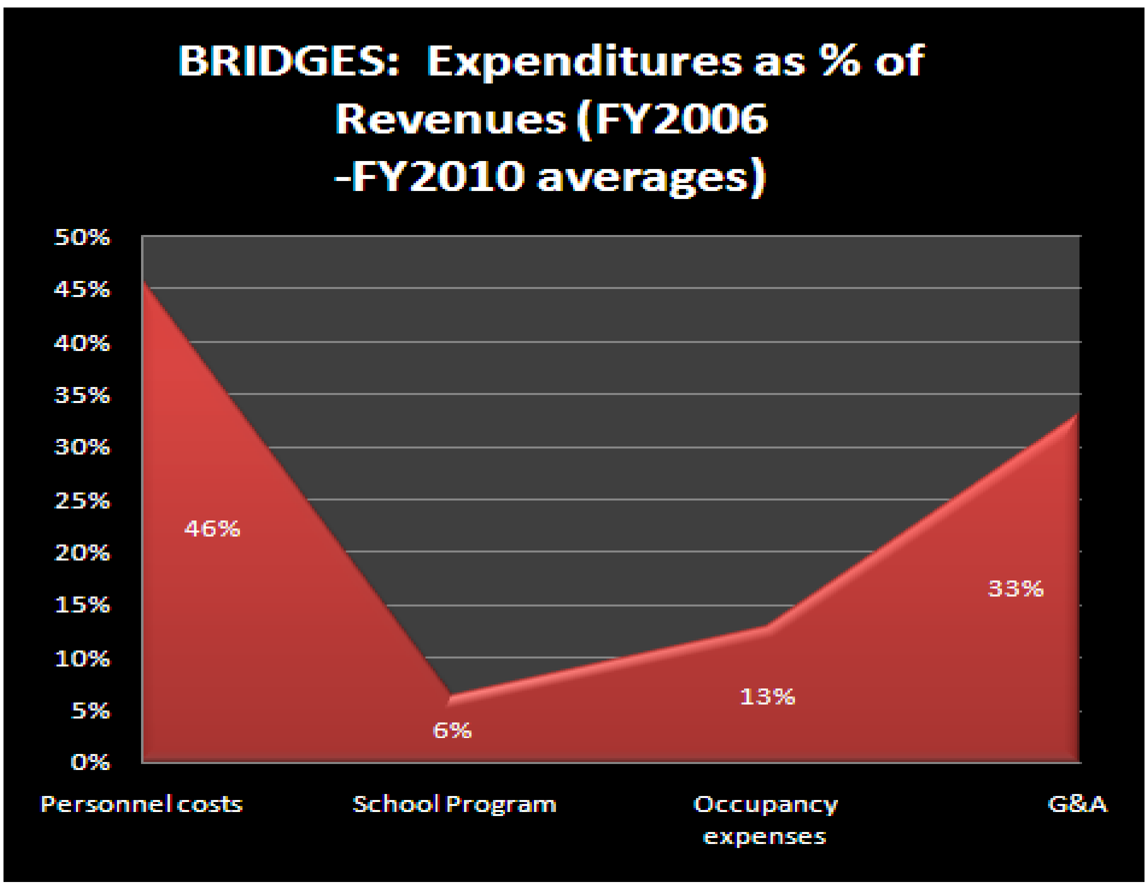
BRIDGES PUBLIC CHARTER SCHOOL

Fiscal Period	2006	2007	2008	2009	2010
Net Working Capital	$ (182,145)	$ (188,120)	$ (189,043)	$ (169,124)	$ 64,304
Liquidity ratio	0.54	0.52	0.61	0.66	1.18

Bridges PCS makes spending decisions appropriate for the management of educational programs. Salaries and occupancy costs are in line with industry comparables and PCSB financial metrics. As indicated by the chart below, the school's five-year average salary and occupancy expenditures expressed as a percentage of total revenue are 46% and 13% respectively; PCSB established thresholds are 50% for salary as a percentage of revenues and 25% for occupancy as a percentage of revenues (75% when summed).



D.C. Public Charter School Board

CHARTER REVIEW ANALYSIS (Finance Portion)

BRIDGES PUBLIC CHARTER SCHOOL

(1) Has the school engaged in a pattern of non-adherence to generally accepted accounting principles?

Based on its interim financial reports and annual financial audits, Bridges PCS has adhered to GAAP. Key results of the FY10 financial audit are as follows:

<u>Summary of Audit Results (GAS)</u>
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- No instances of noncompliance material to the financial statements were disclosed during the audit

<u>Summary of prior audit findings and corrective action plan</u>
- Not applicable as there were no prior findings

<u>Other information</u>
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    - **Cumulative net asset surplus of $241K**
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Other assets	$	49,340	$	42,309	$	38,126	$	33,942	$	29,758
Total assets	**$**	**661,547**	**$**	**637,724**	**$**	**678,262**	**$**	**657,505**	**$**	**699,251**
Liabilities and Net Assets										
Current liabilities										
Accounts payable	$	102,895	$	118,829	$	171,152	$	217,123	$	178,091
Accrued compensation	$	68,456	$	97,033	$	140,067	$	135,888	$	110,344
Line of credit	$	98,375	$	70,000	$	-	$	-	$	-
Deferred revenue	$	47,470	$	22,831	$	84,885	$	61,498	$	69,485
Note payable, current portion	$	73,004	$	82,166	$	84,665	$	87,023	$	7,370
Note from director	$	2,500	$	-	$	-	$	-	$	-
Capital lease obligation, current	$	3,590	$	1,758	$	-	$	-	$	-
Total current liabilities	$	396,290	$	392,617	$	480,769	$	501,532	$	365,290
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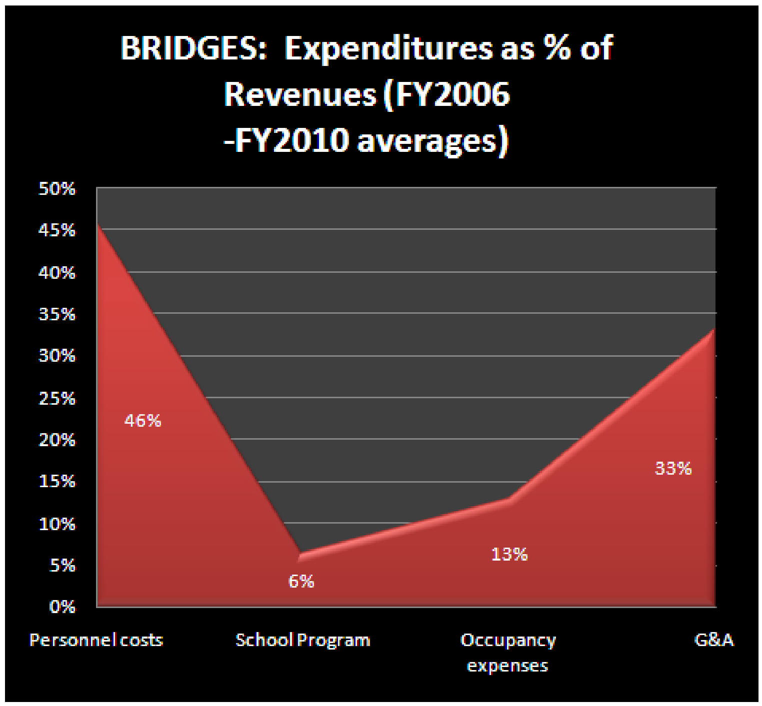

Based on the information contained in the tables and charts above, PCSB staff concludes that Bridges PCS is economically viable and of sound fiscal health.