

BRIDGES PUBLIC CHARTER SCHOOL
WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
Bridges Public Charter School
100 Gallatin Street, NE
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Bridges Public Charter School, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, 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 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.

Opinion

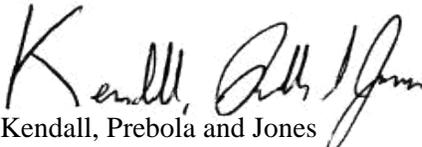
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bridges Public Charter School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Other Information**

We have audited the financial statements of the Bridges Public Charter School as of and for the years ended June 30, 2020 and 2019, and our report thereon dated December 1, 2020, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of the 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 solely 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 the effectiveness of the Bridges Public Charter School's 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 Bridges Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 1, 2020

BRIDGES PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 7,574,114	\$ 3,905,352
Accounts Receivable	252,390	340,963
Promises Receivable	231,137	272,318
Prepaid Expenses	<u>435,637</u>	<u>484,270</u>
Total Current Assets	<u>\$ 8,493,278</u>	<u>\$ 5,002,903</u>
<u>Fixed Assets:</u>		
Furniture, Equipment and Computers	\$ 209,429	\$ 193,569
Accumulated Depreciation - Furniture, Equipment and Computers	(135,015)	(105,230)
Leasehold Improvements	1,398,762	1,398,762
Accumulated Amortizations - Leasehold Improvements	<u>(756,337)</u>	<u>(609,876)</u>
Total Fixed Assets	<u>\$ 716,839</u>	<u>\$ 877,225</u>
<u>Other Assets:</u>		
Accounts Receivable - Long-Term	\$ 148,922	\$ -
Deposits	<u>54,498</u>	<u>54,498</u>
Total Other Assets	<u>\$ 203,420</u>	<u>\$ 54,498</u>
TOTAL ASSETS	<u>\$ 9,413,537</u>	<u>\$ 5,934,626</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 89,706	\$ 157,000
Accrued Salaries and Expenses	810,136	974,400
Deferred Revenues	34,693	2,660
Refundable Advance	1,200,466	-
Security Deposit Payable	<u>24,770</u>	<u>24,770</u>
Total Current Liabilities	<u>\$ 2,159,771</u>	<u>\$ 1,158,830</u>
<u>Long-Term Liabilities:</u>		
Deferred Rent	<u>\$ 289,280</u>	<u>\$ 316,598</u>
Total Long-Term Liabilities	<u>\$ 289,280</u>	<u>\$ 316,598</u>
Total Liabilities	<u>\$ 2,449,051</u>	<u>\$ 1,475,428</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 6,962,271	\$ 4,457,736
With Donor Restrictions	<u>2,215</u>	<u>1,462</u>
Total Net Assets	<u>\$ 6,964,486</u>	<u>\$ 4,459,198</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,413,537</u>	<u>\$ 5,934,626</u>

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020			June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 11,342,244	\$ -	\$ 11,342,244	\$ 10,805,576	\$ -	\$ 10,805,576
Per Pupil Facility Allocation	1,360,680	-	1,360,680	1,344,356	-	1,344,356
Contributions - Federal Awards	569,628	4,000	573,628	713,272	-	713,272
Contributions - State Awards	417,310	708	418,018	373,114	-	373,114
Contributions	3,551	36,908	40,459	19,407	14,047	33,454
Donated Services and Materials	146,927	-	146,927	133,640	-	133,640
Service Fees	288,956	-	288,956	119,249	-	119,249
Student Activity Fees	46,313	-	46,313	73,933	-	73,933
Investment Income	19	-	19	15	-	15
Rental Income	2,250	-	2,250	-	-	-
Other Income	-	-	-	7,619	-	7,619
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	40,863	(40,863)	-	13,796	(13,796)	-
Total Revenues and Other Support	<u>\$ 14,218,741</u>	<u>\$ 753</u>	<u>\$ 14,219,494</u>	<u>\$ 13,603,977</u>	<u>\$ 251</u>	<u>\$ 13,604,228</u>
<u>Expenses:</u>						
Educational Services	\$ 10,404,209	\$ -	\$ 10,404,209	\$ 10,939,705	\$ -	\$ 10,939,705
General and Administrative	1,299,263	-	1,299,263	1,217,620	-	1,217,620
Fundraising	10,734	-	10,734	11,560	-	11,560
Total Expenses	<u>\$ 11,714,206</u>	<u>\$ -</u>	<u>\$ 11,714,206</u>	<u>\$ 12,168,885</u>	<u>\$ -</u>	<u>\$ 12,168,885</u>
Changes in Net Assets	\$ 2,504,535	\$ 753	\$ 2,505,288	\$ 1,435,092	\$ 251	\$ 1,435,343
Net Assets at Beginning of Year	4,457,736	1,462	4,459,198	3,022,644	1,211	3,023,855
Net Assets at End of Year	<u>\$ 6,962,271</u>	<u>\$ 2,215</u>	<u>\$ 6,964,486</u>	<u>\$ 4,457,736</u>	<u>\$ 1,462</u>	<u>\$ 4,459,198</u>

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>				<u>June 30, 2019</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Executive Salaries	\$ 492,761	\$ 234,646	\$ 250,940	\$ 7,175	\$ 493,261	\$ 230,838	\$ 255,303	\$ 7,120
Teachers' Salaries	4,877,306	4,877,306	-	-	5,170,785	5,170,785	-	-
Teachers' Aides/Assistants' Salaries	425,693	425,693	-	-	526,154	526,154	-	-
Other Educational Professional Salaries	755,951	753,821	2,130	-	701,859	688,897	12,962	-
Clerical Salaries	48,662	-	48,662	-	42,533	-	42,533	-
Business Operation Salaries	327,944	-	327,944	-	239,252	-	239,252	-
Employee Benefits	501,190	455,121	45,550	519	508,484	468,991	38,988	505
Payroll Taxes	577,228	524,169	52,461	598	579,952	534,909	44,467	576
Professional Development	60,628	55,055	5,510	63	42,911	39,578	3,290	43
Travel and Meetings	34,624	31,442	3,147	35	62,937	58,049	4,826	62
Total Personnel, Salaries and Benefits	<u>\$ 8,101,987</u>	<u>\$ 7,357,253</u>	<u>\$ 736,344</u>	<u>\$ 8,390</u>	<u>\$ 8,368,128</u>	<u>\$ 7,718,201</u>	<u>\$ 641,621</u>	<u>\$ 8,306</u>
<u>Direct Student Costs:</u>								
Supplies and Materials	\$ 92,985	\$ 92,985	\$ -	\$ -	\$ 85,873	\$ 85,873	\$ -	\$ -
Transportation	155	155	-	-	-	-	-	-
Contracted Instruction Fees	618,983	618,983	-	-	639,376	639,376	-	-
Textbooks	88,870	88,870	-	-	70,521	70,521	-	-
Food Service/Catering	285,153	285,153	-	-	436,524	436,524	-	-
Student Assessments	7,465	7,465	-	-	11,985	11,985	-	-
Other Student Costs	91,093	91,093	-	-	104,401	104,401	-	-
Total Direct Student Costs	<u>\$ 1,184,704</u>	<u>\$ 1,184,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,348,680</u>	<u>\$ 1,348,680</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 1,402,148	\$ 1,305,633	\$ 95,979	\$ 536	\$ 1,380,420	\$ 1,285,375	\$ 94,542	\$ 503
Maintenance and Repairs	11,383	10,600	779	4	19,632	18,280	1,345	7
Janitorial Supplies	2,498	2,326	171	1	395	368	27	-
Depreciation - Leasehold Improvements	146,461	136,380	10,025	56	146,460	136,376	10,031	53
Total Occupancy Costs	<u>\$ 1,562,490</u>	<u>\$ 1,454,939</u>	<u>\$ 106,954</u>	<u>\$ 597</u>	<u>\$ 1,546,907</u>	<u>\$ 1,440,399</u>	<u>\$ 105,945</u>	<u>\$ 563</u>

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>				<u>June 30, 2019</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 31,032	\$ 28,896	\$ 2,124	\$ 12	\$ 46,684	\$ 43,470	\$ 3,197	\$ 17
Equipment Rental	33,779	31,454	2,312	13	48,289	44,964	3,307	18
Telecommunications	26,603	24,772	1,821	10	27,679	25,773	1,896	10
Professional Fees	488,014	93,659	394,355	-	501,774	101,508	400,266	-
Printing and Publications	388	361	27	-	4,866	4,531	333	2
Postage and Shipping	4,003	3,727	274	2	1,998	1,860	137	1
Computer and Related	<u>52,621</u>	<u>48,999</u>	<u>3,602</u>	<u>20</u>	<u>49,361</u>	<u>45,962</u>	<u>3,381</u>	<u>18</u>
Total Office Expenses	<u>\$ 636,440</u>	<u>\$ 231,868</u>	<u>\$ 404,515</u>	<u>\$ 57</u>	<u>\$ 680,651</u>	<u>\$ 268,068</u>	<u>\$ 412,517</u>	<u>\$ 66</u>
<u>General Expenses:</u>								
Insurance	\$ 23,044	\$ 21,458	\$ 1,577	\$ 9	\$ 20,231	\$ 18,838	\$ 1,386	\$ 7
Administration Fee	126,000	117,327	8,625	48	117,286	109,210	8,033	43
Depreciation	39,370	36,660	2,695	15	38,994	36,309	2,671	14
Fees and Licenses	11,114	-	11,114	-	-	-	-	-
Other General Expenses	<u>29,057</u>	<u>-</u>	<u>27,439</u>	<u>1,618</u>	<u>48,008</u>	<u>-</u>	<u>45,447</u>	<u>2,561</u>
Total General Expenses	<u>\$ 228,585</u>	<u>\$ 175,445</u>	<u>\$ 51,450</u>	<u>\$ 1,690</u>	<u>\$ 224,519</u>	<u>\$ 164,357</u>	<u>\$ 57,537</u>	<u>\$ 2,625</u>
Total Functional Expenses	<u>\$ 11,714,206</u>	<u>\$ 10,404,209</u>	<u>\$ 1,299,263</u>	<u>\$ 10,734</u>	<u>\$ 12,168,885</u>	<u>\$ 10,939,705</u>	<u>\$ 1,217,620</u>	<u>\$ 11,560</u>

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 2,505,288	\$ 1,435,343
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	185,831	185,454
Accounts Receivable - (Increase)/Decrease	(60,349)	(12,169)
Promises Receivable - (Increase)/Decrease	41,181	(136,577)
Prepaid Expenses - (Increase)/Decrease	48,633	(23,555)
Deposits - (Increase)/Decrease	-	(1,150)
Accounts Payable and Accrued Expenses - Increase/(Decrease)	(56,696)	(95,390)
Accrued Salaries and Expenses - Increase/(Decrease)	(174,862)	338,840
Refundable Advance - Increase/(Decrease)	1,200,466	-
Deferred Revenue - Increase/(Decrease)	32,033	(296)
Deferred Rent - Increase/(Decrease)	<u>(27,318)</u>	<u>(14,757)</u>
Net Cash Flows from Operating Activities	<u>\$ 3,694,207</u>	<u>\$ 1,675,743</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (25,445)	\$ (17,135)
Investment in LLC	<u>-</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (25,445)</u>	<u>\$ (17,135)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 3,668,762	\$ 1,658,608
Cash and Cash Equivalents at Beginning of Year	<u>3,905,352</u>	<u>2,246,744</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,574,114</u>	<u>\$ 3,905,352</u>

Supplemental Disclosures:

- a) No interest was paid during the years ended June 30, 2020 and 2019.
- b) No income taxes were paid during the years ended June 30, 2020 and 2019.

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

Bridges Public Charter School (the “Charter School”) was established to provide preschool education to students with and without special needs in the District of Columbia. The Charter School was incorporated under the laws of the District of Columbia in August 2003. The school 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. The school program opened in August of 2005. In March 2012, the Charter 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. The Charter School reached grade level capacity in the 2017-2018 school year with fifth grade. During November 2015, the Charter School’s legal name was changed from Bridges Charter School to Bridges Public Charter School. Bridges’ charter was renewed by the DC Public Charter School Board for an additional 15 years on November 18, 2019 to operate as a public charter school in the District of Columbia under the DC Public School Reform Act of 1995.

Our Mission

Our mission is to provide an exemplary, individualized early childhood and elementary educational program that includes students with special needs. Our developmentally appropriate, student and family-centered educational approach nurtures students to expand their developmental skills, in order to build a foundation for lifelong learning.

Basic Programs

Bridges Public Charter School is unique in the DC education landscape serving a higher percentage of students with special needs in one school building than all but one other charter school in DC (St. Coletta). Bridges provides a continuum of inclusive learning environments and high-level special education classrooms. The school student population has been consistent since opening to students in 2005: 36% students with special needs, 40+% English Language Learners and 50%-65% students who qualify for free or reduced lunch (low-income). The Charter 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition:

Contributions

The Charter School has implemented the new accounting and reporting standards surrounding contributions. These new standards affect financial statement reporting and disclosures included within the body of the financial statements. The new standards promulgate clarity for distinguishing between exchange transactions and those of a non-reciprocal arrangement leading to a contribution, while providing rules and guidance on what constitutes an underlying condition that may be associated with a contribution.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions are determined on the basis of whether or not an underlying agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If both exist, then the contribution is conditional. Barriers include but are not limited to:

- Measurable performance-related barrier(s) (e.g., specified level of service, specific output, or outcome, matching requirement);
- Extent to which a stipulation limits discretion on conduct of activity (e.g., qualifying expenses, specific protocols); and
- Extent to which a stipulation is related to the purpose of the agreement (excludes administrative or trivial).

Conditional contributions are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met. Therefore, any respective advance payments received are recorded as a refundable advance and subsequently recognized as contribution revenue when the underlying conditions are fulfilled.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Federal and Charter School Funding

The Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allowance. The Charter School recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

Government Grants

The Charter School receives grants from federal governmental agencies for the purpose of providing a social benefit to the general public. Pursuant to the implementation of the accounting standard ASU No. 2018-08, government grants are classified as conditional contributions when the award includes both a barrier that must be overcome for the Charter School to be entitled to the assets transferred, and a right of return for the transferred assets exists. Contribution income is recognized based on the total costs incurred. Promises receivables are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by the granting agency. Funds received in advance, and those that are unexpended at year-end, are reflected as refundable advance.

(c) Corporate Taxes:

The Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Charter School has been classified as other than a private foundation under section 509(a)(1) of the Internal Revenue Code and, accordingly, contributions to the Charter School qualify as a charitable tax deduction by the contributor.

Under IRC Section 512(a)(7) (the parking and transit tax), certain transportation benefits were subject to unrelated business income tax. On December 20, 2019, the Taxpayer Certainty and Disaster Tax Relief Act of 2019 provided certain technical corrections and amendments, among them the repeal of the parking and transit tax. As of June 30, 2019, the Charter School recognized \$2,154 of income tax expense related to the filing of the 990-T tax return. In addition, \$991 of income tax expense due to the District of Columbia has been reflected in the financial statements related to income tax on transportation benefits for the year ended June 30, 2019. The Charter School did not have any net unrelated business income for the year ended June 30, 2020.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Net Assets:

The Charter School reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and over which the Board of Trustees has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Charter Schools' purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

From time to time, the Board of Trustees designates a portion of the Charter School's unrestricted net assets for purposes that are of importance to the organization.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Charter School must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions were available at year end for the following activities:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
DC Education Equity Fund	\$ 1,438	\$ -
OSSE Breakfast Subsidy	708	-
Playground	69	69
Flamboyant	-	1,393
	<u> </u>	<u> </u>
Total Net Assets Available	<u>\$ 2,215</u>	<u>\$ 1,462</u>

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by the occurrence of other events specified by donors for the following programs:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Playground	\$ -	\$ 812
Flamboyant	34,137	8,399
Classroom Field Trips and Activities	-	2,105
PTO Donation	581	691
Piedmont Foundation	-	1,000
Mary's Center	4,000	-
DC Education Equity Fund	2,145	-
TAAG Program	-	330
DC Public Charter School's Cooperative	-	264
Autism Program	<u>-</u>	<u>195</u>
Total Net Assets Released from Restrictions	<u>\$ 40,863</u>	<u>\$ 13,796</u>

(e) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Trustees is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Legal Services	\$ 142,656	\$ 131,187
Training	-	675
Learning Materials	3,631	1,703
Luncheon	<u>640</u>	<u>75</u>
Total	<u>\$ 146,927</u>	<u>\$ 133,640</u>

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Charter School's mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation methodologies based on financial results and industry standards.

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. The Charter School has established a method to specifically identify and record those costs that are considered to be direct student expenses. Such program expenses consist of contracted student instruction, food service, student events, and textbooks.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on activity reports of time spent on particular activities.
- Costs of professional fees, computer support fees, legal and accounting, dues and fees, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Certain staff expenses including travel, meals and events, and professional development are generally allocated between administrative and program functions on a percentage basis that is equivalent to that determined for salaries and wages.
- Shared costs (office supplies, telephone, equipment rental, postage and computer expense) are all allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

(g) 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 the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(i) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(j) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or to total net assets from prior years.

(k) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2018-08 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" in the current year, applying the changes retrospectively.

ASU 2018-08 was issued to clarify and improve the guidance for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional.

This standard amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the Charter School is entitled to the promised assets, and (b) a right of release from the obligation stipulating the donor has the right to be released from its obligation to transfer assets or to reduce, settle, or cancel liabilities. This standard also provides additional guidance to determine whether grants and contracts from the federal, state, and local governments should be classified as a contribution or an exchange transaction.

The changes had no effect on net assets at July 1, 2019.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Charter School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 7,574,114	\$ 3,905,352
Accounts Receivable	401,312	340,963
Promises Receivable	231,137	272,318
Total Financial Assets	<u>\$ 8,206,563</u>	<u>\$ 4,518,633</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Accounts Receivable - Beyond One Year	<u>\$ 148,922</u>	<u>\$ -</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 8,057,641</u>	<u>\$ 4,518,633</u>

As part of the Charter School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

4. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2020, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2020, the statute of limitations for tax years 2016 through 2018 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2020, the Charter School had no accruals for interest and/or penalties.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Non-Interest Bearing Checking Accounts	\$ 7,542,020	\$ 3,873,278
Savings Account	<u>32,094</u>	<u>32,074</u>
Total	<u>\$ 7,574,114</u>	<u>\$ 3,905,352</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

The Charter School maintains its operating funds primarily in three financial institutions. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per banking institution. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total is insured up to \$250,000.

As of June 30, 2020 and 2019, \$6,826,029 and \$3,161,419, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

6. INVESTMENT IN LLC - MAMIE D. LEE, LLC:

Mamie D. Lee, LLC (LLC), was formed on October 1, 2015, by Bridges Public Charter School and Briya Public Charter School for the purpose of leasing property from the District of Columbia and to renovate, remodel, operate, manage, maintain, improve, repair and rent space to the two Member charter schools. Each of the two Member charter schools have equal fifty percent (50%) voting rights in the LLC. Bridges Public Charter School's investment in Mamie D. Lee, LLC, is accounted for on the equity method. The equity method provides that each Member is allocated their proportionate share of the LLC's net profits and losses. For the year ended June 30, 2020, the LLC's net profits, losses and cash flows were allocated based on each Member's share of the investment account balance in the LLC. This investment account balance is calculated by adjusting for capital contributions, distributions, rent usage fees, operating costs and debt service. For the years ended June 30, 2020 and 2019, respectively, Bridges Public Charter School was allocated 21.45% and 18.62% of the LLC's net profits, losses and cash flows. Operating expense is allocated based on square footage occupied by each Member. Debt service was allocated to the Members based on the net debt ratio. Per the agreement between the Charter School and the LLC, Member contributions were required to be paid, all of which were made prior to the year ended June 30, 2016.

The Bridges Public Charter School's investment balance in Mamie D. Lee, LLC, had no value at June 30, 2020 and 2019. The Charter School's proportion of net profits and losses of the LLC for the years ended June 30, 2020 and 2019 was (\$298,502) and (\$262,894), respectively. There were no member distributions or member contributions during the years ended June 30, 2020 and 2019.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. **INVESTMENT IN LLC - MAMIE D. LEE, LLC:** (Continued)

Assets, liabilities and members' equity of Mamie D. Lee, LLC, as of June 30, 2020 and 2019 were as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Assets	\$ 31,573,874	\$ 32,730,561
Total Assets	<u>\$ 31,573,874</u>	<u>\$ 32,730,561</u>
Liabilities	\$ 33,136,440	\$ 32,901,813
Members' Equity	<u>(1,562,566)</u>	<u>(171,252)</u>
Total Liabilities and Net Assets	<u>\$ 31,573,874</u>	<u>\$ 32,730,561</u>

The activities of Mamie D. Lee, LLC, as of June 30, 2020 and 2019 were as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues	\$ 2,576,270	\$ 2,530,265
Expenses	<u>(3,967,584)</u>	<u>(3,942,238)</u>
Total Change in Members' Equity	<u>\$ (1,391,314)</u>	<u>\$ (1,411,973)</u>

7. **ACCOUNTS AND PROMISES RECEIVABLE:**

Accounts Receivable

Accounts receivable as presented are current and considered to be fully collectible by management and consisted of the following as of June 30, 2020 and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Accounts Receivable</u>		
Medicaid	\$ 209,059	\$ 33,549
Per Pupil Funding	146,988	299,438
Reimbursable Expenses	45,265	6,065
Student Activity Fees	<u>-</u>	<u>1,911</u>
Total	<u>\$ 401,312</u>	<u>\$ 340,963</u>

The above accounts receivable are due to be received as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Less Than One Year	\$ 252,390	\$ 340,963
One to Five Years	<u>148,922</u>	<u>-</u>
Total	<u>\$ 401,312</u>	<u>\$ 340,963</u>

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Accounts Receivable (Continued)

The Charter School's accounts receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for amounts owed to it throughout the year and at year end.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Trade receivables related to program service fees (activity fees, meals, etc.) are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable once management determines that available collection efforts have been exhausted.

Promises Receivable

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Promises receivable at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Promises Receivable</u>		
DC Special Education Enhancement	\$ 129,572	\$ 120,283
No Child Left Behind - Entitlement Funds	83,919	65,295
Special Education, IDEA 611, Grants to Local Education Agencies	15,749	353
School Garden Grant	1,189	8,096
Healthy Schools Act	708	2,345
National School Lunch and Breakfast Programs	-	33,570
Substantial Increase ICY Enrollment	-	31,745
Flamboyant Foundation	-	6,964
Fresh Fruits and Vegetables Program	-	2,900
General	<u>-</u>	<u>767</u>
Total	<u>\$ 231,137</u>	<u>\$ 272,318</u>

The above promises are due to be received within the next year.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable (Continued)

The Charter School received the following conditional promises to give that are not recognized as assets in the financial statements:

	<u>June 30, 2020</u>
CARES Act	\$ 124,812
DC Special Education Enhancement	47,119
SOAR	20,478
Title IV	6,728
Total Conditional Promises	\$ 199,137

8. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2020 and 2019 was \$185,831 and \$185,454, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

<u>June 30, 2020</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	3-7 Years	\$ 64,160	\$ 28,767	\$ 35,393
Computer Equipment	3 Years	145,269	106,248	39,021
Leasehold Improvements	Remainder of Lease	1,398,762	756,337	642,425
Total		\$ 1,608,191	\$ 891,352	\$ 716,839

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

8. FIXED ASSETS: (Continued)

<u>June 30, 2019</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	3-7 Years	\$ 65,349	\$ 21,649	\$ 43,700
Computer Equipment	3 Years	128,220	83,581	44,639
Leasehold Improvements	Remainder of Lease	<u>1,398,762</u>	<u>609,876</u>	<u>788,886</u>
Total		<u>\$ 1,592,331</u>	<u>\$ 715,106</u>	<u>\$ 877,225</u>

9. DEFERRED RENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position. The Charter School entered into two operating lease agreements, as more fully discussed in Note 14, for the rental of space at the Gallatin Street Building and Taylor Street Building in Washington, DC. As a result of these agreements, a net amount of \$289,280 representing future payments has been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of the unamortized deferred rent at June 30, 2020 and 2019 was \$289,280 and \$316,598, respectively. A summary of the net rent obligation and change in deferred rent related to these leases are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2021	\$ 1,633,766	\$ 37,040	\$ 1,670,806
2022	1,352,633	12,317	1,364,950
2023	1,327,075	9,997	1,337,072
2024	1,327,075	9,997	1,337,072
2025	1,327,075	9,997	1,337,072
Thereafter	<u>27,868,580</u>	<u>209,932</u>	<u>28,078,512</u>
Total	<u>\$ 34,836,204</u>	<u>\$ 289,280</u>	<u>\$ 35,125,484</u>

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM:

The Paycheck Protection Program was established under the CARES Act on March 27, 2020 and was designed to provide cash-flow assistance to small businesses including certain not-for-profit organizations. This program provides relief as a result of the Coronavirus pandemic with loan funds to pay up to 24 weeks of payroll costs including fringe benefits, rent and utilities commencing on the date of loan origination. The Paycheck Protection Program is a loan program that is guaranteed in its entirety through the Small Business Administration and offers a maturity of two years and an interest rate of one percent (1%). The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in manner consistent with the allowable use of loan proceeds.

Management of the Charter School anticipates total forgiveness and the funds are being reported in accordance with FASB ASC 958-605. Due to the forgiveness being conditional on incurring the qualified expenses, the funds were accounted for as a refundable advance and will be recognized as contribution revenue as the qualified expenses are incurred. The Charter School applied for and received a total amount of loan proceeds in the amount of \$1,200,466 on April 16, 2020. As of June 30, 2020, no proceeds have been recognized as contribution income since the conditions upon which the loan proceeds provided have not been substantially met. An amount of \$1,200,466 has been recognized as a refundable advance and will be expended subsequent to year end.

11. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract, dated June 8, 2005, provided for a 15-year charter effective the date of first operation. The charter contract was renewed on November 18, 2019, for an additional 15 years. This charter contract will expire on or about June 1, 2035, if not renewed. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years, with the next review scheduled for 2024/2025. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 19/20 and 18/19 school years) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2020 and 2019, the Charter School incurred \$126,000 and \$117,286, respectively, in administrative fees.

The charter contract provides that the Charter School may initially educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2020, was not permitted to be greater than 464 students. Audit enrollment for the 2019/2020 year was 408 students. Audit enrollment for the 2018/2019 year was 412 students.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allowances. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2020, the per-student rate ranged from \$10,980 to \$14,713 for the educational allotment and \$3,335 for the facility allowance. For the year ended June 30, 2019, the per-student rate ranged from \$10,658 to \$14,282 for the education allotment and \$3,263 for the facility allowance. Additional allotments were made for Special Education services and English as a Second Language. Per-pupil funding for the years ended June 30, 2020 and 2019 was as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Pre-K - Grade 5	\$ 5,054,533	\$ 4,932,949
Special Education	4,708,383	4,607,759
English as a Second Language	1,054,518	913,923
At-Risk Students	412,579	350,945
One-Time Payment	112,231	-
Facilities Allowance	<u>1,360,680</u>	<u>1,344,356</u>
Total	<u>\$ 12,702,924</u>	<u>\$ 12,149,932</u>

13. CONTRIBUTIONS - FEDERAL AWARDS:

During the years ended June 30, 2020 and 2019, the Charter School participated in multiple federal award programs. Federal revenues recognized during the years ended June 30, 2020 and 2019 were as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
No Child Left Behind - Entitlement Funds	\$ 222,291	\$ 235,912
National School Lunch and Breakfast Programs	136,173	190,384
Individuals with Disabilities Education Act (IDEA)	104,995	100,061
Scholarship for Opportunity and Results Act (SOAR)	85,677	120,879
Fresh Fruit and Vegetable Program	13,011	12,742
Donated Commodities	11,481	11,105
Substantial Increase ICY Enrollment	<u>-</u>	<u>42,189</u>
Total	<u>\$ 573,628</u>	<u>\$ 713,272</u>

Federal formula grants are allocations of money to states or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of the State Superintendent of Education.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. CONTRIBUTIONS - FEDERAL AWARDS: (Continued)

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

14. COMMITMENTS:

Building Lease - 100 Gallatin Street, NE

On November 25, 2015, the Charter School entered into a thirty (30) year use agreement with Mamie D. Lee, LLC (a related party), to occupy a portion of a new school building located at 100 Gallatin Street, NE, Washington, DC. The lease commenced on July 1, 2016, and is scheduled to expire June 30, 2046. This lease has an option to renew for an additional fourteen (14) year period. The Charter School has provided Mamie D. Lee, LLC, a first priority lien on the Charter School's revenues. The annual usage fee represents an amount equal to the number of students projected by the Charter School multiplied by the per pupil facilities allowance received from the DC Government. This lease is accounted for as an operating lease. Rent expense related to this lease for the years ended June 30, 2020 and 2019 was \$1,417,383 and \$1,386,428, respectively. Future required minimum rental lease payments along with the change in deferred rent over the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2021	\$ 1,327,075	\$ 9,997	\$ 1,337,072
2022	1,327,075	9,997	1,337,072
2023	1,327,075	9,997	1,337,072
2024	1,327,075	9,997	1,337,072
2025	1,327,075	9,997	1,337,072
Thereafter	<u>27,868,580</u>	<u>209,932</u>	<u>28,078,512</u>
Totals	<u>\$ 34,503,955</u>	<u>\$ 259,917</u>	<u>\$ 34,763,872</u>

Building Lease - 1230-1246 Taylor Street, NW

On June 27, 2014, the Charter School entered into a seven (7) year lease agreement with JRK Family Investments, LLC, to accommodate the growth of the Charter School. The lease commenced on August 1, 2014. Under the terms of the lease, the Charter School is required to make monthly payments of \$23,348, which are increased annually by 3% on the anniversary of the commencement date and end July 31, 2021. As a requirement of this lease, a total rental security deposit of \$23,348 is to be made. Total rent expense for each of the years ended June 30, 2020 and 2019 was \$306,691.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. COMMITMENTS: (Continued)

Building Lease - 1230-1246 Taylor Street, NW (Continued)

Future required minimum rental lease payments along with the change in deferred rent over the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2021	\$ 306,691	\$ 27,042	\$ 333,733
2022	<u>25,558</u>	<u>2,321</u>	<u>27,879</u>
Total	<u>\$ 332,249</u>	<u>\$ 29,363</u>	<u>\$ 361,612</u>

Building Sub-Lease - 1230-1246 Taylor Street, NW

On June 8, 2016, the Charter School entered into a five (5) year sub-lease agreement with Breakthrough Montessori Public Charter School for its location at 1230-1246 Taylor Street, NW, Washington, DC. The lease commenced August 1, 2016, and is scheduled to expire July 31, 2021. Breakthrough Montessori Public Charter School is required to pay its proportional share of operating charges and real estate taxes. Under the terms of the sub-lease, the tenant is required to make monthly payments of \$24,770 which is increased annually by 3% on the anniversary of the commencement date. The Charter School received a security deposit related to this lease in the amount of \$24,770. During the year ended June 30, 2020 and 2019, the Charter School received payments of \$324,012 and \$314,575, respectively, for rent. Future required minimum rental lease receipts over the remaining life of the sub-lease are as follows:

<u>Year Ending June 30,</u>	<u>Rent Receipts</u>
2021	\$ 333,734
2022	<u>27,878</u>
Total	<u>\$ 361,612</u>

The following schedule shows the composition of rental expense for the years ended June 30, 2020 and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Minimum Rentals	\$ 1,724,074	\$ 1,693,119
Month to Month Rentals and Storage	2,086	1,876
Less: Sublease	<u>(324,012)</u>	<u>(314,575)</u>
Net Rental Expense	<u>\$ 1,402,148</u>	<u>\$ 1,380,420</u>

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. COMMITMENTS: (Continued)

Operating Lease - Photocopiers

The Charter School maintains two operating leases for copier equipment. Lease terms are for 36 months, with monthly lease amounts of \$392 for each lease. Equipment rental expense totaled \$9,175 and \$9,414 for the years ending June 30, 2020 and 2019, respectively. Future minimum payments due under these leases are as follows:

<u>Year Ended June 30,</u>	
2021	\$ 5,090
2022	4,698
2023	<u>783</u>
Total	<u>\$ 10,571</u>

15. GUARANTEE OF INDEBTEDNESS:

Bridges Public Charter School is a guarantor on a loan obtained by Mamie D. Lee, LLC, for which Bridges Public Charter School is a member, as more fully explained in Note 6. Mamie D. Lee, LLC, obtained a loan in the amount of \$1,340,000 for the school facility. Bridges Public Charter School is a guarantor of fifty percent (50%) of this principal balance. Briya Public Charter School, the other member of Mamie D. Lee, LLC, is a guarantor for the other fifty percent (50%) of the principal balance. The guarantee on this loan includes interest, fees, late charges and any costs associated with the loan or collection of the loan.

In addition to the guarantee on the loan, there are financial covenants related to this loan that need to be met as follows:

- a) Each guarantor needs to maintain a lease service coverage ratio of not less than 1.2 to 1.0.
- b) The guarantors along with Mamie D. Lee, LLC, need to maintain, on a combined basis, minimum unrestricted net assets of at least \$12,000,000.
- c) The guarantors need to maintain, on a combined basis, unencumbered liquid assets of not less than \$4,000,000.
- d) Each guarantor needs to maintain one or more deposit accounts with City First Bank of DC with a minimum balance of \$500,000.

These covenants are tested annually at the end of each fiscal year ended on June 30.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

16. CONCENTRATIONS:

Revenues

The Charter School receives public funds from the District of Columbia based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2020 and 2019, eighty-nine percent (89%) of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education), as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

17. CONTINGENCIES:

Pending Litigation

The Bridges Public Charter School is a party to a lawsuit for which damages are being sought. The defense of this matter has included the Charter School's insurance company. The insurance carrier is working toward a resolution as part of the defense of the lawsuit. Subsequent to the issuance of these financial statements the parties will enter private binding arbitration with an agreement in place that the award will be no higher than \$750,000 and no lower than \$150,000. No liability has been recorded in the financial statements because in the opinion of management, any award or settlement will be covered by available insurance.

Charter School Operations

The Charter School was granted its charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding funds) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of Trustees and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. CONTINGENCIES: (Continued)

Charter School Operations (Continued)

Laws and regulations governing charter schools are complex and subject to interpretation. There are also certain requirements of the New Market Tax Credit program that the Charter School must adhere to. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administrations of the District of Columbia. Any future change in dynamics could adversely affect the operations of public charter schools.

Pandemic

The Charter School has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Charter School is closely monitoring its operations as well as the potential effects on its 2020/2021 academic year and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Charter School's financial position is not known.

18. SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 1, 2020, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

19. RELATED PARTY TRANSACTIONS:

Mamie D. Lee, LLC

Bridges Public Charter School and Briya Public Charter School formed Mamie D. Lee, LLC (the LLC), which was established to lease a school building from the District of Columbia. These two schools, who are both 501(c)(3) organizations, are the only members of the LLC. This school building was renovated by the LLC in order to be subleased to Bridges and Briya Public Charter Schools for a period of thirty years commencing on July 1, 2016, and expiring on June 30, 2046. The Charter School recognized \$1,417,383 and \$1,386,428 of rent expense related to the lease with Mamie D. Lee, LLC, that reflects a \$9,997 and \$59,353 adjustment to conform to the straight-line method for the years ending June 30, 2020 and 2019, respectively.

There were no contributions or distributions during the year ended June 30, 2020 and 2019. As explained in Note 6, there is no investment balance in Mamie D. Lee, LLC, reported as of June 30, 2020 and 2019. The Charter School's proportion of net losses of the LLC for the years ended June 30, 2020 and 2019 was \$298,502 and \$262,894, respectively.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS: (Continued)

Mamie D. Lee, LLC (Continued)

During the year ended June 30, 2016, the LLC entered into two separate loan agreements, which were paid off during the year ended June 30, 2017. During the year ended June 30, 2017, the LLC entered into an additional five separate loan agreements. Four of these loans are through the New Market Tax Credit program, which encourages investment in real estate projects in low-income communities by allowing investors to receive tax credits in exchange for making qualified investments in Community Development Entities (CDEs). The CDEs then provide loans to benefit the low-income communities to qualified entities. Mamie D. Lee, LLC, obtained these New Market Tax Credit loans on March 22, 2017. There are certain guarantees related to this debt by the Charter School. As of June 30, 2020 and 2019, the outstanding debt balance of the LLC is \$32,186,293 and \$31,934,599, respectively.

As of June 30, 2020, the Charter School does not have an outstanding balance owed to the LLC.

20. FUNDRAISING:

During the years ended June 30, 2020 and 2019 expenses incurred for the purpose of fundraising were \$10,734 and \$11,560, respectively.

21. ADVERTISING:

Advertising costs are expensed when incurred. Advertising activities were conducted for the purpose of promoting open enrollment to the Charter School and to provide outreach to the community. Direct advertising costs in the amount of \$55,309 and \$60,116 were incurred during the years ended June 30, 2020 and 2019, respectively.

22. RETIREMENT PLAN:

Teachers Retirement Plan

As authorized by the Title 38 of the Code of the District of Columbia, teachers of the DC Public School System may participate in a defined benefit plan named the "Teacher's Retirement Plan." The District of Columbia Retirement Board (DCRB) is responsible for paying benefits attributable to teacher service.

An employee may elect to remain in the Teacher's Retirement Plan if that individual leaves employment with the District of Columbia Public School system and becomes an employee of a DC Public Charter School provided the election is made within 60 days of departure. To remain in the plan, the teacher must make the required employee retirement contributions and the Charter School must make the match contributions that the District Government would have made to the plan. Employee contributions of 7% of annual salary are required to be made on a pre-tax basis to the plan.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

22. RETIREMENT PLAN: (Continued)

401(k) Retirement Plan

The Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the Plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code. The Charter School contributes, on a matching basis, an amount up to 4% of an employee's base annual salary. Employees participating in the retirement plan must be employed by the Charter School for two years before having a vested interest in the contributions made to their retirement plan by the Charter School.

The combined amount of employer contributions for the years ended June 30, 2020 and 2019 was \$53,748 and \$62,696, respectively.

23. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2020 and 2019 consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Social Security and Medicare	\$ 504,862	\$ 528,851
Health, Dental and Vision Insurance	373,426	387,569
Retirement	53,748	62,696
Unemployment	29,443	36,106
Universal Paid Leave	42,922	14,994
Workers Compensation Insurance	42,449	27,988
Life and Disability	<u>31,568</u>	<u>30,232</u>
Total	<u>\$ 1,078,418</u>	<u>\$ 1,088,436</u>

24. CONSOLIDATION:

Management has applied the principles of FASB ASC 958-810, Reporting of Related Entities by Not-for-Profit Organizations, in assessing the need to consolidate the financial statements of the Charter School with those of Mamie D. Lee, LLC. Under FASB ASC 958-810, consolidation should occur if both an economic interest between the organizations and control by a majority of common board members exist. Based on the criteria stipulated in the pronouncement, management has determined that financial statement consolidation is not appropriate for the fiscal years ending June 30, 2020 and 2019. Therefore, the accompanying financial statements reflect only the activity and net assets of the Charter School.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
Bridges Public Charter School
100 Gallatin Street, NE
Washington, DC 20011

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*

We have audited 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, the financial statements of Bridges Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bridges Public Charter 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 Bridges Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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.

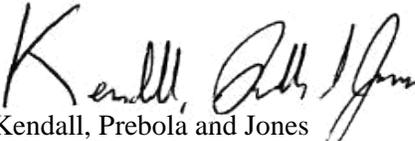
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Bridges Public Charter 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 Charter 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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 1, 2020

BRIDGES PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

There were no audit findings in the prior year.

BRIDGES PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Bridges Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies in internal control relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the Bridges Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

There were no findings in the current year.

BRIDGES PUBLIC CHARTER SCHOOL
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000
UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2020

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
Advanced Medical Personnel Services, Inc.	Speech Language Pathologist	68,547.50	no
Am Trust North America	Worker's Compensation	42,447.93	no
Amazon.com	Student/Office supplies	45,437.64	no
Carefirst BlueCross BlueShield	Health Benefit	635,234.13	no
Cengage Learning	Student Curriculum	41,652.80	no
Conaboy & Associates, Inc.	Direct Occupational Therapy/Physical Therapy/ AT Services	96,733.00	no
DC Public Charter School Board	PCSB Fees	126,198.81	no
DC Public Charter School Cooperative	Medicaid Services and Co-Teaching PD	25,530.00	no
Digidoc Inc.	Nursing Services	46,628.53	no
Dynamic Network Solutions	IT services	34,733.61	no
Dynamic Network Solutions	IT services FY 20-21	26,148.00	no
EdOps	Finance and Accounting Services	99,540.00	no
EdOps	Student Data	93,180.00	no
EdOps	Finance and Accounting Services FY 20-21	103,500.00	no
EdOps	Student Data FY 20-21	96,420.00	no
Educational Solutions, LLC	Contracted Reading Specialist	131,035.00	no
JRK Family Investments, LLC	Rent and CAM Charge	417,542.60	no
Kelly Services, Inc.	Substitute	73,954.88	no
Law Office of Lauren E. Baum, P.C.	Legal services	39,970.77	no
Mamie D. Lee, LLC	Rent	1,427,379.99	no
Payroll Network	Payroll Provider	33,624.30	no
Payroll Network	Payroll Provider FY 20-21	27,463.64	no
Psychological Assessment Solutions, LLC	Psychological Services	56,987.50	no
Reliance Standard Life Insurance Company	Life and Disability Insurance	31,567.22	no
Revolution Foods, Inc.	Food Service	279,440.97	no
Revolution Foods, Inc.	Food Service FY 20-21	564,320.40	no
Sterling Speech Associates, LLC	Speech and Language Services	53,217.50	no
The Literacy Lab	Literacy Intervention Services	25,000.00	no
The Math Learning Center	Student Curriculum	33,761.71	no