

BRIDGES PUBLIC CHARTER SCHOOL  
WASHINGTON, DC

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COMPARATIVE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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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, 2019 and 2018, 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***

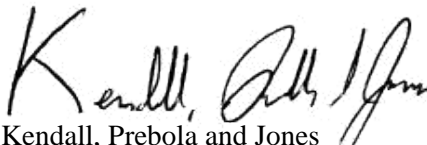
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bridges Public Charter School as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles 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, 2019 and 2018, and our report thereon dated December 4, 2019, 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 4, 2019, 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 4, 2019

BRIDGES PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 3,905,352	\$ 2,246,744
Accounts Receivable	340,963	328,744
Grants Receivable	271,551	123,720
Promises Receivable	767	12,021
Prepaid Expenses	<u>484,270</u>	<u>460,715</u>
Total Current Assets	<u>\$ 5,002,903</u>	<u>\$ 3,171,944</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 877,225</u>	<u>\$ 1,045,544</u>
Total Fixed Assets	<u>\$ 877,225</u>	<u>\$ 1,045,544</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 54,498</u>	<u>\$ 53,348</u>
Total Other Assets	<u>\$ 54,498</u>	<u>\$ 53,348</u>
TOTAL ASSETS	<u>\$ 5,934,626</u>	<u>\$ 4,270,836</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 157,000	\$ 252,340
Accrued Salaries and Expenses	974,400	635,560
Deferred Revenues	2,660	2,956
Security Deposit Payable	<u>24,770</u>	<u>24,770</u>
Total Current Liabilities	<u>\$ 1,158,830</u>	<u>\$ 915,626</u>
<u>Long-Term Liabilities:</u>		
Deferred Rent	<u>\$ 316,598</u>	<u>\$ 331,355</u>
Total Long-Term Liabilities	<u>\$ 316,598</u>	<u>\$ 331,355</u>
Total Liabilities	<u>\$ 1,475,428</u>	<u>\$ 1,246,981</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 4,457,736	\$ 3,022,644
With Donor Restrictions	<u>1,462</u>	<u>1,211</u>
Total Net Assets	<u>\$ 4,459,198</u>	<u>\$ 3,023,855</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,934,626</u>	<u>\$ 4,270,836</u>

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 10,805,576	\$ -	\$ 10,805,576	\$ 9,691,801	\$ -	\$ 9,691,801
Per Pupil Facility Allocation	1,344,356	-	1,344,356	1,273,898	-	1,273,898
Federal Entitlements and Grants	702,167	-	702,167	664,406	-	664,406
Donated Commodities	11,105	-	11,105	12,463	-	12,463
State Grants	373,114	-	373,114	60,081	-	60,081
Contributions	19,407	14,047	33,454	6,502	51,350	57,852
Donated Services and Materials	133,640	-	133,640	88,648	-	88,648
Service Fees	119,249	-	119,249	-	-	-
Student Activity Fees	73,933	-	73,933	60,288	-	60,288
Investment Income	15	-	15	6	-	6
Other Income	7,619	-	7,619	1,762	-	1,762
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	13,796	(13,796)	-	58,241	(58,241)	-
Total Revenues and Other Support	<u>\$ 13,603,977</u>	<u>\$ 251</u>	<u>\$ 13,604,228</u>	<u>\$ 11,918,096</u>	<u>\$ (6,891)</u>	<u>\$ 11,911,205</u>
<u>Expenses:</u>						
Educational Services	\$ 10,939,705	\$ -	\$ 10,939,705	\$ 10,536,746	\$ -	\$ 10,536,746
General and Administrative	1,217,620	-	1,217,620	573,262	-	573,262
Fundraising	11,560	-	11,560	11,432	-	11,432
Total Expenses	<u>\$ 12,168,885</u>	<u>\$ -</u>	<u>\$ 12,168,885</u>	<u>\$ 11,121,440</u>	<u>\$ -</u>	<u>\$ 11,121,440</u>
Changes in Net Assets	\$ 1,435,092	\$ 251	\$ 1,435,343	\$ 796,656	\$ (6,891)	\$ 789,765
Net Assets at Beginning of Year	3,022,644	1,211	3,023,855	2,225,988	8,102	2,234,090
Net Assets at End of Year	<u>\$ 4,457,736</u>	<u>\$ 1,462</u>	<u>\$ 4,459,198</u>	<u>\$ 3,022,644</u>	<u>\$ 1,211</u>	<u>\$ 3,023,855</u>

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019				June 30, 2018			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Executive Salaries	\$ 493,261	\$ 230,838	\$ 255,303	\$ 7,120	\$ 449,396	\$ 355,565	\$ 87,018	\$ 6,813
Teachers' Salaries	5,170,785	5,170,785	-	-	4,455,115	4,455,115	-	-
Teachers' Aides/Assistants' Salaries	526,154	526,154	-	-	456,026	456,026	-	-
Other Educational Professional Salaries	701,859	688,897	12,962	-	602,722	602,722	-	-
Clerical Salaries	42,533	-	42,533	-	22,041	-	22,041	-
Business Operation Salaries	239,252	-	239,252	-	203,528	-	203,528	-
Employee Benefits	508,484	468,991	38,988	505	462,981	439,087	23,384	510
Payroll Taxes	579,952	534,909	44,467	576	493,951	468,459	24,948	544
Professional Development	42,911	39,578	3,290	43	40,689	38,632	2,057	-
Other Staff-Related Costs	62,937	58,049	4,826	62	54,289	51,544	2,745	-
<b>Total Personnel, Salaries and Benefits</b>	<b>\$ 8,368,128</b>	<b>\$ 7,718,201</b>	<b>\$ 641,621</b>	<b>\$ 8,306</b>	<b>\$ 7,240,738</b>	<b>\$ 6,867,150</b>	<b>\$ 365,721</b>	<b>\$ 7,867</b>
<u>Direct Student Costs:</u>								
Food Service	\$ 436,524	\$ 436,524	\$ -	\$ -	\$ 409,919	\$ 389,192	\$ 20,727	\$ -
Instructional Supplies and Equipment	85,873	85,873	-	-	110,144	110,144	-	-
Contracted Instructional/Student Services	639,376	639,376	-	-	617,411	617,411	-	-
Student Assessment	11,985	11,985	-	-	35,617	35,617	-	-
Textbooks	70,521	70,521	-	-	29,533	29,533	-	-
Other Student Costs	104,401	104,401	-	-	83,423	83,423	-	-
<b>Total Direct Student Costs</b>	<b>\$ 1,348,680</b>	<b>\$ 1,348,680</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,286,047</b>	<b>\$ 1,265,320</b>	<b>\$ 20,727</b>	<b>\$ -</b>
<u>Occupancy Costs:</u>								
Rent	\$ 1,380,420	\$ 1,285,375	\$ 94,542	\$ 503	\$ 1,356,041	\$ 1,286,057	\$ 68,491	\$ 1,493
Loss/(Income) from LLC - Occupancy Costs	-	-	-	-	195,253	185,380	9,873	-
Maintenance, Repairs and Contracted Building Services	19,632	18,280	1,345	7	15,670	14,861	792	17
Janitorial Supplies	395	368	27	-	1,327	1,259	67	1
Depreciation - Leasehold Improvements	146,460	136,376	10,031	53	146,461	139,055	7,406	-
Facility Consulting	-	-	-	-	63,125	-	63,125	-
<b>Total Occupancy Costs</b>	<b>\$ 1,546,907</b>	<b>\$ 1,440,399</b>	<b>\$ 105,945</b>	<b>\$ 563</b>	<b>\$ 1,777,877</b>	<b>\$ 1,626,612</b>	<b>\$ 149,754</b>	<b>\$ 1,511</b>

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>				<u>June 30, 2018</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	\$ 46,684	\$ 43,470	\$ 3,197	\$ 17	\$ 19,343	\$ 18,365	\$ 978	\$ -
Equipment Rental and Maintenance	48,289	44,964	3,307	18	45,909	43,588	2,321	-
Telecommunications	27,679	25,773	1,896	10	28,806	27,350	1,456	-
Postage and Shipping	1,998	1,860	137	1	850	807	43	-
Computer and Related	49,361	45,962	3,381	18	64,107	60,866	3,241	-
Printing and Publications	4,866	4,531	333	2	404	384	20	-
Total Office Expenses	<u>\$ 178,877</u>	<u>\$ 166,560</u>	<u>\$ 12,251</u>	<u>\$ 66</u>	<u>\$ 159,419</u>	<u>\$ 151,360</u>	<u>\$ 8,059</u>	<u>\$ -</u>
<u>General Expenses:</u>								
Insurance	\$ 20,231	\$ 18,838	\$ 1,386	\$ 7	\$ 18,337	\$ 17,410	\$ 927	\$ -
Professional Fees	501,774	101,508	400,266	-	461,813	442,597	19,216	-
Interest	-	-	-	-	1	-	1	-
Authorizer Fee	117,286	109,210	8,033	43	106,297	100,923	5,374	-
Bad Debt Expense	-	-	-	-	32,665	31,013	1,652	-
Depreciation	38,994	36,309	2,671	14	26,678	25,328	1,350	-
Other General Expenses	48,008	-	45,447	2,561	11,568	9,033	481	2,054
Total General Expenses	<u>\$ 726,293</u>	<u>\$ 265,865</u>	<u>\$ 457,803</u>	<u>\$ 2,625</u>	<u>\$ 657,359</u>	<u>\$ 626,304</u>	<u>\$ 29,001</u>	<u>\$ 2,054</u>
Total Functional Expenses	<u>\$ 12,168,885</u>	<u>\$ 10,939,705</u>	<u>\$ 1,217,620</u>	<u>\$ 11,560</u>	<u>\$ 11,121,440</u>	<u>\$ 10,536,746</u>	<u>\$ 573,262</u>	<u>\$ 11,432</u>

(See Accompanying Notes and Auditor's Report)



**BRIDGES PUBLIC CHARTER SCHOOL**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 1,435,343	\$ 789,765
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	185,454	173,139
Accounts Receivable - (Increase)/Decrease	(12,169)	(204,662)
Grants Receivable - (Increase)/Decrease	(147,831)	125,240
Promises Receivable - (Increase)/Decrease	11,254	(1,073)
Prepaid Expenses - (Increase)/Decrease	(23,555)	(44,563)
Deposits - (Increase)/Decrease	(1,150)	-
Accounts Payable and Accrued Expenses - Increase/(Decrease)	(95,390)	93,899
Accrued Salaries and Expenses - Increase/(Decrease)	338,840	27,458
Refundable Advance - Increase/(Decrease)	-	(56,263)
Deferred Revenue - Increase/(Decrease)	(296)	(365)
Security Deposits Payable - Increase/(Decrease)	-	24,770
Deferred Rent - Increase/(Decrease)	<u>(14,757)</u>	<u>63,134</u>
Net Cash Flows from Operating Activities	<u>\$ 1,675,743</u>	<u>\$ 990,479</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (17,135)	\$ (80,052)
Investment in LLC	<u>-</u>	<u>195,253</u>
Net Cash Flows from Investing Activities	<u>\$ (17,135)</u>	<u>\$ 115,201</u>
<u>Cash Flows from Financing Activities:</u>		
Payments of Capital Lease Obligations	\$ <u>-</u>	\$ <u>(259)</u>
Net Cash Flows from Financing Activities	<u>\$ -</u>	<u>\$ (259)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 1,658,608	\$ 1,105,421
Cash and Cash Equivalents at Beginning of Year	<u>2,246,744</u>	<u>1,141,323</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,905,352</u>	<u>\$ 2,246,744</u>

Supplemental Disclosures:

- a) No interest was paid during the year ended June 30, 2019. Interest in the amount of \$1 was paid during the year ended June 30, 2018.
- b) No income taxes were paid during the years ended June 30, 2019 and 2018.

(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 and after-care 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. For the 2015-2016 school year, the Charter School serviced students in grades Pre-K3 through third. For the 2016-2017 school year, the Charter School serviced students in grades Pre-K3 through fourth grade. During November 2015, the Charter School’s legal name was changed from Bridges Charter School to Bridges Public Charter School.

**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: 30%-36% students with special needs, 30+% English as Second 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.

(b) Revenue Recognition:

**Contributions**

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.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

**Contributions** (Continued)

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.

Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Conditional promises, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

**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 a deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

(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 Section 170(b)(i)(A)(ii). Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. For the years ended June 30, 2019 and 2018, the Charter School recognized \$2,154 and \$914, respectively, of income tax expense related to the filing of the 990-T tax return. In addition, \$991 and \$391, respectively, of income tax expense due to the District of Columbia has been recorded in the financial statements related to income tax on transportation benefits.

The Charter School is also exempt from District of Columbia sales, real estate and personal property taxes.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia. These grants are subject to financial and compliance audits by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements. Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

(e) 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.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets with Donor Restrictions** (Continued)

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, 2019</u>	<u>June 30, 2018</u>
Flamboyant	\$ 1,393	\$ -
Playground	69	881
TAAG Program	<u>-</u>	<u>330</u>
 Total Net Assets Available	 <u>\$ 1,462</u>	 <u>\$ 1,211</u>

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, 2019</u>	<u>June 30, 2018</u>
Playground	\$ 812	\$ -
Flamboyant	8,399	-
Classroom Field Trips and Activities	2,105	703
Family Engagement Partnership	-	45,340
PTO Donation	691	-
Piedmont Foundation	1,000	-
Target Corporation	-	2,000
Student and Youth Travel Foundation	-	4,200
Mid-Atlantic Dairy Association	-	4,928
Scholarship America	-	700
TAAG Program	330	170
PBS Kids	-	200
DC Public Charter School's Cooperative	264	-
Autism Program	<u>195</u>	<u>-</u>
 Total Net Assets Released from Restrictions	 <u>\$ 13,796</u>	 <u>\$ 58,241</u>

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) 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 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, 2019</u>	<u>June 30, 2018</u>
Legal Services	\$ 131,187	\$ 81,038
Training	675	-
Learning Materials	1,703	5,560
Bicycle Equipment	-	2,050
Luncheon	<u>75</u>	<u>-</u>
Total	<u>\$ 133,640</u>	<u>\$ 88,648</u>

(g) 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.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Functional Expense Allocation Policies and Procedures: (Continued)

- 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.
- Office and occupancy costs, such as office supplies, telephone, rent and similar expenses are allocated based on management's estimates at total employee time spent on particular activities.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(1) Change in Accounting Principles: (Continued)

The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of activities has been changed to present columns for both activities with donor restrictions and activities without donor restrictions as management believes this better reports changes in the Charter School's changes in financial position arising from its activities.
- The statement of functional expenses is included as a component of the financial statements.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes had no effect on net assets at July 1, 2018.

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, 2019</u>
Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 3,905,352
Accounts Receivable	340,963
Grants Receivable	271,551
Promises Receivable	<u>767</u>
Total Financial Assets	<u>\$ 4,518,633</u>
Less Amounts Not Available for General Expenditure Within One Year:	<u>\$ -</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 4,518,633</u>



BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (Continued)

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, 2019, 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, 2019, the statute of limitations for tax years 2015 through 2017 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, 2019, the Charter School had no accruals for interest and/or penalties.

5. CASH AND CASH EQUIVALENTS:

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Checking Accounts	\$ 3,873,278	\$ 2,214,684
Savings Account	<u>32,074</u>	<u>32,060</u>
Total	<u>\$ 3,905,352</u>	<u>\$ 2,246,744</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, as well as account category. 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, 2019 and 2018, \$3,161,419 and \$1,495,746, 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.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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, 2019, 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, 2019 and 2018, respectively, Bridges Public Charter School was allocated 18.62% and 15.60% 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.

As reflected below, Bridges Public Charter School balance of investment in Mamie D. Lee, LLC, is a negative amount at June 30, 2019 and 2018, and as such there is no investment balance reported at June 30, 2019 and 2018, in these financial statements. The Charter School's proportion of net profits and losses of the LLC for the years ended June 30, 2019 and 2018 was (\$262,894) and (\$208,555), respectively. The following tables detail the Charter School's investment in affiliate:

Balance - June 30, 2018	\$ (13,302)
Member Distributions	-
Share of Earnings/(Loss)	<u>(262,894)</u>
Balance - June 30, 2019	<u>\$ (276,196)</u>
Balance - June 30, 2017	\$ 195,253
Member Distributions	-
Share of Earnings/(Loss)	<u>(208,555)</u>
Balance - June 30, 2018	<u>\$ (13,302)</u>

Assets, liabilities and members' equity of Mamie D. Lee, LLC, as of June 30, 2019 and 2018 were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets	<u>\$ 32,730,561</u>	<u>\$ 33,799,603</u>
Total Assets	<u>\$ 32,730,561</u>	<u>\$ 33,799,603</u>
Liabilities	\$ 32,901,813	\$ 32,558,882
Members' Equity	<u>(171,252)</u>	<u>1,240,721</u>
Total Liabilities and Net Assets	<u>\$ 32,730,561</u>	<u>\$ 33,799,603</u>

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

The activities of Mamie D. Lee, LLC, as of June 30, 2019 and 2018 were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues	\$ 2,530,265	\$ 2,478,548
Expenses	<u>(3,942,238)</u>	<u>(3,815,563)</u>
Total Change in Members' Equity	<u>\$ (1,411,973)</u>	<u>\$ (1,337,015)</u>

7. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

**Accounts and Grants Receivable**

Accounts and grants receivable as of June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 299,438	\$ 253,139
Medicaid	33,549	-
Reimbursable Expenses	6,065	74,545
Student Activity Fees	<u>1,911</u>	<u>1,060</u>
Total	<u>\$ 340,963</u>	<u>\$ 328,744</u>
<u>Grants Receivable</u>		
DC Special Education Enhancement	\$ 120,283	\$ -
No Child Left Behind - Entitlement Funds	65,295	35,334
National School Lunch and Breakfast Programs	33,570	54,755
Substantial Increase ICY Enrollment	31,745	-
School Garden Grant	8,096	-
Flamboyant Foundation	6,964	3,234
Fresh Fruits and Vegetables Program	2,900	1,297
Healthy Schools Act	2,345	3,648
Special Education, IDEA 611, Grants to Local Education Agencies	353	391
Scholarship for Opportunity and Results Act (SOAR)	<u>-</u>	<u>25,061</u>
Total	<u>\$ 271,551</u>	<u>\$ 123,720</u>

The Charter School's accounts and grants 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.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

7. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

**Accounts and Grants Receivable** (Continued)

Accounts and grants 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 or grants 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. 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. Balances at year end consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
General	\$ <u>767</u>	\$ <u>12,021</u>
Total	\$ <u><u>767</u></u>	\$ <u><u>12,021</u></u>

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

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, 2019 and 2018 was \$185,454 and \$173,139, respectively. Maintenance and repairs are charged to expenses as incurred.

**BRIDGES PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**

8. **FIXED ASSETS:** (Continued)

Major classifications of fixed assets and their estimated useful lives are as summarized below:

<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>
 <u>June 30, 2018</u>				
	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	3-7 Years	\$ 49,391	\$ 14,412	\$ 34,979
Computer Equipment	3 Years	127,043	51,825	75,218
Leasehold Improvements	Remainder of Lease	<u>1,398,762</u>	<u>463,415</u>	<u>935,347</u>
Total		<u>\$ 1,575,196</u>	<u>\$ 529,652</u>	<u>\$ 1,045,544</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 13, 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 \$316,598 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, 2019 and 2018 was \$316,598 and \$331,355, 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>
2020	\$ 1,633,766	\$ 27,318	\$ 1,661,084
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
Thereafter	<u>29,195,655</u>	<u>219,929</u>	<u>29,415,584</u>
Total	<u>\$ 36,469,970</u>	<u>\$ 316,598</u>	<u>\$ 36,786,568</u>

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

10. 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, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about June 1, 2020. 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 2019/2020. 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 18/19 school year) 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, 2019 and 2018, the Charter School incurred \$117,286 and \$106,297, 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, 2019, was not permitted to be greater than 464 students. Audit enrollment for the 2018/2019 year was 412 students. Audit enrollment for the 2017/2018 year was 399 students.

11. 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, 2019, the per-student rate ranged from \$10,658 to \$14,282 for the education allotment and \$3,263 for the facility allowance. For the year ended June 30, 2018, the per-student rate ranged from \$10,257 to \$13,744 for the educational allotment and \$3,193 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, 2019 and 2018 was as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Pre-K - Grade 3	\$ 4,932,949	\$ 4,610,932
Special Education	4,607,759	3,844,422
English as a Second Language	913,923	738,812
At-Risk Students	350,945	343,680
Teachers Collective Bargaining	-	153,955
Facilities Allowance	<u>1,344,356</u>	<u>1,273,898</u>
Total	<u>\$ 12,149,932</u>	<u>\$ 10,965,699</u>

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

12. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2019 and 2018, the Charter School participated in multiple federal award programs. Federal revenues recognized during the years ended June 30, 2019 and 2018 were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Scholarship for Opportunity and Results Act (SOAR)	\$ 120,879	\$ 215,286
National School Lunch and Breakfast Programs	190,384	186,585
No Child Left Behind - Entitlement Funds	235,912	181,539
Individuals with Disabilities Education Act (IDEA)	100,061	79,699
Donated Commodities	11,105	12,463
Fresh Fruit and Vegetable Program	12,742	1,297
Substantial Increase ICY Enrollment	<u>42,189</u>	<u>-</u>
Total	<u>\$ 713,272</u>	<u>\$ 676,869</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.

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.

13. 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, 2019 and 2018 was \$1,386,428 and \$1,354,910, respectively.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

**Building Lease - 100 Gallatin Street, NE** (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>
2020	\$ 1,327,075	\$ 9,997	\$ 1,337,072
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
Thereafter	<u>29,195,655</u>	<u>219,929</u>	<u>29,415,584</u>
Totals	<u>\$ 35,831,030</u>	<u>\$ 269,914</u>	<u>\$ 36,100,944</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, 2019 and 2018 was \$306,691.

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>
2020	\$ 306,691	\$ 17,321	\$ 324,012
2021	306,691	27,042	333,733
2022	<u>25,558</u>	<u>2,321</u>	<u>27,879</u>
Total	<u>\$ 638,940</u>	<u>\$ 46,684</u>	<u>\$ 685,624</u>



BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

**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, 2019 and 2018, the Charter School received payments of \$314,575 and \$305,413, 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>
2020	\$ 324,012
2021	333,734
2022	<u>27,878</u>
Total	<u>\$ 685,624</u>

The following schedule shows the composition of rental expense for the years ended June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Minimum Rentals	\$ 1,693,119	\$ 1,661,454
Month to Month Rentals and Storage	1,877	-
Less: Sublease	<u>(314,575)</u>	<u>(305,413)</u>
Net Rental Expense	<u>\$ 1,380,421</u>	<u>\$ 1,356,041</u>

**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 each for one lease. Equipment rental expense totaled \$9,414 and \$9,525 for the years ending June 30, 2019 and 2018, respectively. Future minimum payments due under these leases are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 4,698
2021	<u>392</u>
Total	<u>\$ 5,090</u>

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

**Operating Lease - Phone Handsets**

The Charter School entered into an operating lease for the rental of phone handsets with Jive Communications on August 12, 2016. The term of the lease is for 36 months, with required monthly lease payments of \$87. Equipment rental expense totaled \$1,044 each for the years ending June 30, 2019 and 2018. Future minimum payments due under this lease is as follows:

<u>Year Ended June 30,</u>	
2020	\$ <u>174</u>
Total	\$ <u>174</u>

14. 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.

15. 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, 2019 and 2018, eighty-nine percent (89%) and ninety-two percent (92%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

15. CONCENTRATIONS: (Continued)

**Revenues** (Continued)

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.

16. 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. An estimate of loss from this lawsuit cannot be reasonably made. No liability for an adverse outcome 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 Directors 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.

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.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

16. CONTINGENCIES: (Continued)

**Charter School Operations** (Continued)

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.

17. SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 4, 2019, 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.

Subsequent to year end, the Charter School successfully completed their fifteen-year review process with the District of Columbia Public Charter School Board.

18. 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 \$1,386,428 and \$1,354,910 of rent expense related to the lease with Mamie D. Lee, LLC, that reflects a \$59,353 and \$61,885 adjustment to conform to the straight-line method for the years ending June 30, 2019 and 2018, respectively.

There were no contributions or distributions during the year ended June 30, 2019 and 2018. As explained in Note 6, there is no investment balance in Mamie D. Lee, LLC, reported as of June 30, 2019 and 2018. The Charter School's proportion of net losses of the LLC for the years ended June 30, 2019 and 2018 was \$262,894 and \$208,555, respectively.

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, 2019 and 2018, the outstanding debt balance of the LLC is \$31,934,599 and \$31,682,574, respectively.

As of June 30, 2019, the Charter School does not have an outstanding balance owed to the LLC. As of June 30, 2018, the Charter School owed the LLC \$2,071.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS: (Continued)

**Contributions**

Various board members of the Charter School and organizations for which they are affiliated made contributions to the Charter School. Such contributions of \$25 and \$3,500 were made during the years ended June 30, 2019 and 2018, respectively.

19. FUNDRAISING:

During the years ended June 30, 2019 and 2018 expenses incurred for the purpose of fundraising were \$11,560 and \$11,432, respectively.

20. 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 \$60,116 and \$35,872 were incurred during the years ended June 30, 2019 and 2018, respectively.

21. 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.

**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, 2019 and 2018 was \$62,696 and \$86,971, respectively.

BRIDGES PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

22. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Social Security and Medicare	\$ 528,851	\$ 459,622
Health, Dental and Vision Insurance	387,569	322,394
Retirement	62,696	86,971
Unemployment	36,106	34,329
Universal Paid Leave	14,994	-
Workers Compensation Insurance	27,988	31,665
Life and Disability	<u>30,232</u>	<u>21,951</u>
Total	<u>\$ 1,088,436</u>	<u>\$ 956,932</u>

23. 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, 2019 and 2018. 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, 2019, 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 4, 2019.

***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.

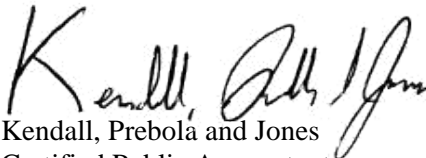
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 4, 2019



BRIDGES PUBLIC CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

There were no audit findings in the prior year.

BRIDGES PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

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 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, 2019

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
Alignstaffing	Staffing	58,636.00	no
Am Trust North America	Worker's Compensation	27,987.95	no
Amazon.com	Student/Office supplies	36,971.76	no
Carefirst BlueCross BlueShield	Health Benefit	621,702.55	no
Cengage Learning	Textbooks FY 18-19	25,810.00	no
Cengage Learning	Student Curriculum FY 19-20	28,628.00	no
Copier Workshop Inc.	Copier Usage	31,019.06	no
DC Public Charter School Board	PCSB Fees	117,285.89	no
Digidoc Inc.	Nursing Services	66,869.63	no
Dynamic Network Solutions	IT services FY 18-19	39,173.07	no
Dynamic Network Solutions	IT services FY 19-20	26,148.00	no
EdOps	Finance and Accounting Services FY 18-19	93,935.04	no
EdOps	Student Data FY 18-19	87,760.08	no
EdOps	HR Services FY 18-19	57,755.04	no
EdOps	Finance and Accounting Services FY 19-20	99,540.00	no
EdOps	Student Data FY 19-20	93,180.00	no
Educational Solutions, LLC	Contracted Reading Specialist	94,802.50	no
Ellis Therapeutic Consultants, Inc.	Physical and Occupational services	70,940.50	no
JRK Family Investments, LLC	Rent and CAM Charge	400,893.12	no
Kelly Services, Inc.	Substitute	77,537.45	no
Law Office of Lauren E. Baum, P.C.	Legal services	34,261.84	no
Mamie D. Lee, LLC	Rent	1,393,301.00	no
MZ Therapeutic Consultants, Inc	Speech and Language Services	64,100.00	no
Payroll Network	Payroll Provider	33,458.13	no
Psychological Assessment Solutions, LLC	Psychological Services	49,370.00	no
Radio One Inc.	Radio Ad	48,610.00	no
Reliance Standard Life Insurance Company	Life and Disability Insurance	30,230.98	no
Revolution Foods, Inc.	Food Service	425,419.33	no
Sterling Speech Associates, LLC	Speech and Language Services	32,927.50	no
The Literacy Lab	Literacy Intervention Services	25,000.00	no
The Math Learning Center	Student Curriculum	33,762.00	no
The Mecca Group	Psychological Services	43,175.00	no