

BRIDGES PUBLIC CHARTER SCHOOL

WASHINGTON, D.C.

COMPARATIVE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

KENDALL, PREBOLA AND JONES

Certified Public Accountants

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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 statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

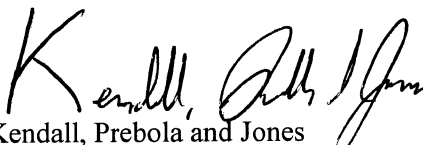
Other Matters

The financial statements of the Charter School for the year ended June 30, 2015, were audited by other auditors, who expressed an unmodified opinion on those financial statements on November 20, 2015.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses and schedule of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bridges Public Charter School's internal control over financial reporting and compliance.


Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 22, 2016

BRIDGES PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,164,574	\$ 1,523,542
Accounts Receivable	208,799	205,617
Grants Receivable	114,169	207,106
Due From Affiliate	15,000	-
Prepaid Expenses	<u>80,304</u>	<u>62,789</u>
Total Current Assets	\$ 1,582,846	\$ 1,999,054
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	\$ 669,363	\$ 820,038
Total Fixed Assets	\$ 669,363	\$ 820,038
<u>Other Assets:</u>		
Investment in Affiliate	\$ 459,000	\$ -
Deposits	<u>82,838</u>	<u>82,838</u>
Total Other Assets	\$ 541,838	\$ 82,838
TOTAL ASSETS	<u>\$ 2,794,047</u>	<u>\$ 2,901,930</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 137,477	\$ 977,460
Accrued Salaries and Expenses	503,781	434,138
Capital Lease Obligation, Current Portion	2,831	2,831
Deferred Rent	<u>43,116</u>	<u>27,165</u>
Total Current Liabilities	\$ 687,205	\$ 1,441,594
<u>Long-Term Liabilities:</u>		
Capital Lease Payable	\$ 3,265	\$ 6,096
Less: Current Portion	<u>(2,831)</u>	<u>(2,831)</u>
Total Long-Term Liabilities	\$ 434	\$ 3,265
Total Liabilities	\$ 687,639	\$ 1,444,859
<u>Net Assets:</u>		
Unrestricted	\$ 2,105,758	\$ 1,456,421
Temporarily Restricted	<u>650</u>	<u>650</u>
Total Net Assets	\$ 2,106,408	\$ 1,457,071
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,794,047</u>	<u>\$ 2,901,930</u>

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>			<u>June 30, 2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 7,120,634	\$ -	\$ 7,120,634	\$ 5,883,956	\$ -	\$ 5,883,956
Per Pupil Facility Allowance	1,040,292	-	1,040,292	835,584	-	835,584
Federal Entitlements and Grants	450,134	-	450,134	446,378	-	446,378
State Grants	98,158	-	98,158	12,616	-	12,616
Contributions	90,119	2,300	92,419	50,660	650	51,310
Donated Services	344,922	-	344,922	28,804	-	28,804
Student Activity Fees	51,009	-	51,009	49,209	-	49,209
Investment Income	6	-	6	4	-	4
Other Income	78,964	-	78,964	28,566	-	28,566
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>2,300</u>	<u>(2,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 9,276,538</u>	<u>\$ -</u>	<u>\$ 9,276,538</u>	<u>\$ 7,335,777</u>	<u>\$ 650</u>	<u>\$ 7,336,427</u>
<u>Expenses:</u>						
Educational Services	\$ 8,004,724	\$ -	\$ 8,004,724	\$ 6,376,327	\$ -	\$ 6,376,327
General and Administrative	511,042	-	511,042	644,007	-	644,007
Fundraising	<u>111,435</u>	<u>-</u>	<u>111,435</u>	<u>2,861</u>	<u>-</u>	<u>2,861</u>
Total Expenses	<u>\$ 8,627,201</u>	<u>\$ -</u>	<u>\$ 8,627,201</u>	<u>\$ 7,023,195</u>	<u>\$ -</u>	<u>\$ 7,023,195</u>
Changes in Net Assets	\$ 649,337	\$ -	\$ 649,337	\$ 312,582	\$ 650	\$ 313,232
Net Assets at Beginning of Year	<u>1,456,421</u>	<u>650</u>	<u>1,457,071</u>	<u>1,143,839</u>	<u>-</u>	<u>1,143,839</u>
Net Assets at End of Year	<u>\$ 2,105,758</u>	<u>\$ 650</u>	<u>\$ 2,106,408</u>	<u>\$ 1,456,421</u>	<u>\$ 650</u>	<u>\$ 1,457,071</u>

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 649,337	\$ 313,232
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	157,690	124,181
Accounts Receivable - (Increase)/Decrease	(3,182)	(3,586)
Grants Receivable - (Increase)/Decrease	92,937	(272,502)
Due From Affiliate - (Increase)/Decrease	(15,000)	-
Prepaid Expenses - (Increase)/Decrease	(17,515)	(13,171)
Accounts Payable and Accrued Expenses - Increase/(Decrease)	(839,983)	770,680
Accrued Salaries and Expenses - Increase/(Decrease)	69,643	97,878
Deferred Revenue - Increase/(Decrease)	-	(32,777)
Deferred Rent - Increase/(Decrease)	<u>15,951</u>	<u>(9,328)</u>
Net Cash Flows from Operating Activities	<u>\$ 109,878</u>	<u>\$ 974,607</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (7,015)	\$ (841,361)
Investment in Affiliate	<u>(459,000)</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (466,015)</u>	<u>\$ (841,361)</u>
<u>Cash Flows from Financing Activities:</u>		
Payments of Capital Lease Obligations	<u>\$ (2,831)</u>	<u>\$ (2,450)</u>
Net Cash Flows from Financing Activities	<u>\$ (2,831)</u>	<u>\$ (2,450)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ (358,968)	\$ 130,796
Cash and Cash Equivalents at Beginning of Year	<u>1,523,542</u>	<u>1,392,746</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,164,574</u></u>	<u><u>\$ 1,523,542</u></u>

Supplemental Disclosures:

- a) Interest in the amount of \$289 and \$409 was paid during the years ended June 30, 2016 and 2015, respectively.
- b) No income taxes were paid during the years ended June 30, 2016 and 2015.

(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 in the District of Columbia to students with and without special needs. The Charter School was incorporated under the laws of the District of Columbia in August 2003 and was granted a 15-year charter to operate as a public charter school in the District of Columbia under the DC Public School Reform Act of 1995. In March 2012, the 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 will reach grade level capacity in the 2017-2018 school year with fifth grade. For the 2014-2015 school year, the Charter School serviced students in grades Pre-K3 through second. For the 2015-2016 school year, the Charter School serviced students in grades Pre-K3 through third 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. 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% students with special needs, 40% English as Second Language Learners and 60% - 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 principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-605-25, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value.

The Charter School reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Charter School reports expirations of donor restrictions when the donated or acquired assets are placed in service.

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 allotment. 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 refundable advance.

Federal entitlements are recognized based on the allowable costs incurred.

(c) Corporate Taxes:

The Charter School is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been provided for in the accompanying financial statements. 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 qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The school did not have any net unrelated business income for the year ended June 30, 2016.

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia Government. 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.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets:

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the Charter School is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions and over which the Board of Trustees has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets were available at year end for the following purpose:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Classroom Field Trip	\$ <u>650</u>	\$ <u>650</u>
Total	\$ <u>650</u>	\$ <u>650</u>

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

	<u>June 30, 2016</u>	<u>June 30, 2016</u>
REAL School Gardens	\$ 1,500	\$ -
Technology	<u>800</u>	<u>-</u>
Total Released	\$ <u>2,300</u>	\$ <u>-</u>

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2016.

(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 Bridges 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, 2016</u>	<u>June 30, 2015</u>
Legal Services	\$ 334,422	\$ 23,530
Other Professional Services	10,500	-
Learning Materials	<u>-</u>	<u>5,274</u>
Total	<u>\$ 344,922</u>	<u>\$ 28,804</u>

(g) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

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

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment material, contract educational services, and field trips) are allocated entirely to program services.

Personnel expenses for salaries, payroll taxes and employee benefit plans are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (executive, teachers, student and family support, etc.) and then a percentage of time spent on program services, general and administrative activities, and fundraising activities is applied.

All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

Occupancy expenses are allocated based on estimated square footage used for program services versus general and administrative activities and fundraising activities. Other expenses that are not directly identifiable by program are allocated based on management estimates of use of resources.

For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for either personnel expenses or occupancy expenses is utilized for cost allocation purposes.

(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 payable.

(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.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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.

3. 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, 2016, 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, 2016, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the organization 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, 2016, the Charter School had no accruals for interest and/or penalties.

4. CASH AND CASH EQUIVALENTS:

Cash at June 30, 2016 and 2015 totaled \$1,164,574 and \$1,523,542, respectively, and consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Checking Accounts	\$ 1,132,471	\$ 1,491,049
Savings Account	32,048	32,041
Petty Cash	55	42
Cash on Hand	<u>-</u>	<u>410</u>
Total	<u>\$ 1,164,574</u>	<u>\$ 1,523,542</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 two financial institutions. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per account category. Deposits held in non-interest-bearing transaction accounts are aggregated with all interest-bearing deposits and the combined total is insured up to \$250,000.

As of June 30, 2016 and 2015, \$751,974 and \$1,242,811, 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 organization 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

5. ACCOUNTS AND GRANTS RECEIVABLE:

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 144,398	\$ 140,711
Student Activity Fees	6,851	4,885
Other	<u>57,550</u>	<u>60,021</u>
Total	<u>\$ 208,799</u>	<u>\$ 205,617</u>
<u>Grants Receivable</u>		
No Child Left Behind - Entitlement Funds	\$ 2,493	\$ 48,257
Special Education, IDEA 611, Grants to Local Education Agencies	1,111	52,018
Scholarship for Opportunity and Results Act (SOAR)	14,750	17,638
National School Lunch and Breakfast Programs	71,266	62,898
Healthy Schools Act	5,386	4,909
E-Rate Program	11,928	11,011
Farm Field Trip Grant	450	-
PE Teacher Grant	4,785	-
DC PAY	2,000	-
Education Technology Grant	<u>-</u>	<u>10,375</u>
Total	<u>\$ 114,169</u>	<u>\$ 207,106</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.

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. As of June 30, 2016, and June 30, 2015, \$19,559 and \$31,411, respectively, is reported as probable uncollectable amounts. This amount is netted against the accounts receivable balance noted above.

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.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. FIXED ASSETS:

Furniture, equipment and textbooks 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. Textbooks with an estimated life of one year or more are capitalized. 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, 2016 and 2015 was \$157,690 and \$124,181, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2016

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	3-7 Years	\$ 36,552	\$ 27,466	\$ 9,086
Computer Equipment	3 Years	35,690	21,979	13,711
Leasehold Improvements	7 Years	<u>1,383,157</u>	<u>736,591</u>	<u>646,566</u>
Total		<u>\$ 1,455,399</u>	<u>\$ 786,036</u>	<u>\$ 669,363</u>

June 30, 2015

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	3-7 Years	\$ 54,094	\$ 39,313	\$ 14,781
Computer Equipment	3 Years	43,196	28,375	14,821
Leasehold Improvements	7 Years	<u>1,383,157</u>	<u>592,721</u>	<u>790,436</u>
Total		<u>\$ 1,480,447</u>	<u>\$ 660,409</u>	<u>\$ 820,038</u>

7. 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 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 Bridges 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.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

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 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, 2016 and 2015, the Charter School incurred \$88,207 and \$74,329, 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 School enrollment ceiling for the year ended June 30, 2016, was not permitted to be greater than 344 students. Audit enrollment for the 2015/2016 year was 333 students.

8. 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 allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2016, the per-student rate ranged from \$9,492 to \$12,719 for the educational allotment and \$3,124 for the facility allotment. Additional allotments were made for Special Education services and English as a Second Language. Per-pupil funding for the years ended June 30, 2016 and 2015 was as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Pre-K - Grade 3	\$ 3,739,848	\$ 3,181,719
Special Education	2,587,129	2,018,110
English as a Second Language	544,177	492,859
Facilities Allowance	1,040,292	835,584
At-Risk Students	<u>249,480</u>	<u>191,268</u>
Total	<u>\$ 8,160,926</u>	<u>\$ 6,719,540</u>

9. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2016 and 2015, the Charter School participated in multiple federal award programs. Federal revenues recognized during the years ended June 30, 2016 and 2015 was as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
National School Lunch and Breakfast Programs	\$ 178,088	\$ 137,495
No Child Left Behind - Entitlement Funds	120,188	116,869
Scholarship for Opportunity and Results Act (SOAR)	79,059	139,996
Individuals with Disabilities Education Act (IDEA)	<u>72,799</u>	<u>52,018</u>
Total	<u>\$ 450,134</u>	<u>\$ 446,378</u>

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

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.

10. LINE OF CREDIT:

On October 27, 2015, the Charter School entered into a fixed rate, revolving \$400,000 line of credit arrangement with Building Hope. The purpose of the line of credit is to provide short-term working capital. The line is collateralized with a first lien against all assets of the Charter School. The line is payable on demand and calls for interest payments at an annual rate of 6.00%. There was no balance outstanding on this credit line as of June 30, 2016.

11. LEASE 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, subsequent to year end, and is scheduled to expire June 30, 2046. 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. 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>Operating Expense</u>	<u>Rent Payment</u>
2017	\$ 1,017,276	\$ (166,104)	\$ 260,972	\$ 1,112,144
2018	1,017,276	(11,485)	268,801	1,274,592
2019	1,017,276	45,619	274,177	1,337,072
2020	1,017,276	37,394	282,402	1,337,072
2021	1,017,276	28,922	290,874	1,337,072
Thereafter	<u>25,431,904</u>	<u>65,654</u>	<u>10,923,206</u>	<u>36,420,764</u>
Totals	<u>\$ 30,518,284</u>	<u>\$ -</u>	<u>\$ 12,300,432</u>	<u>\$ 42,818,716</u>

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. LEASE COMMITMENTS: (Continued)

Building Lease - 1250 Taylor Street, NW:

On June 24, 2005, the Charter School entered into a lease agreement with Daniel and Shirley Sokolowski, for its previous school location at 1250 Taylor Street, NW, Washington, DC. The lease commenced on August 1, 2005. Under the terms of the lease, the Charter School is required to make monthly payments of \$14,745, which is increased annually by 3.5% on the anniversary of the commencement date. As a requirement of this lease, a total rental security deposit of \$29,490 is to be made. In April 2015, this lease was extended through July 1, 2016.

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 1, 2021. As a requirement of this lease, a total rental security deposit of \$23,348 is to be made.

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 Cash Payment</u>
2017	\$ 306,691	\$ (10,174)	\$ 296,517
2018	306,691	(1,278)	305,413
2019	306,691	7,884	314,575
2020	306,691	17,321	324,012
2021	306,691	27,043	333,734
Thereafter	<u>25,558</u>	<u>2,320</u>	<u>27,878</u>
Total	<u>\$ 1,559,013</u>	<u>\$ 43,116</u>	<u>\$ 1,602,129</u>

The rent expense for the years ended June 30, 2016 and 2015 is \$833,426 and \$640,762, respectively.

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, subsequent to year end, and is scheduled to expire July 31, 2021. 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.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. LEASE COMMITMENTS: (Continued)

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

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

<u>Year Ending June 30,</u>	<u>Rent Revenue</u>	<u>Deferred Rent</u>	<u>Rent Cash Receipt</u>
2017	\$ 289,315	\$ (16,846)	\$ 272,469
2018	315,616	(10,203)	305,413
2019	315,616	(1,041)	314,575
2020	315,616	8,396	324,012
2021	315,616	18,117	333,733
Thereafter	<u>26,301</u>	<u>1,577</u>	<u>27,878</u>
Total	<u>\$ 1,578,080</u>	<u>\$ -</u>	<u>\$ 1,578,080</u>

Capital Lease - Photocopier:

During the year ended June 30, 2016, the Charter School entered into a capital lease for the purchase of a photocopier. The amount financed on the capital lease was \$8,546, payable over 36 months with a monthly payment of \$260. Maturity is scheduled for July 1, 2017. Interest expense was \$289 and \$409 for the years ended June 30, 2016 and 2015, respectively, using an implicit rate of 6%. The lease is secured by the photocopier, which cost \$8,546, and is presented as part of Fixed Assets. For the years ended June 30, 2016 and 2015, depreciation expense in the amount of \$2,849 and \$2,611, respectively, on the photocopier has been included in depreciation expense. Accumulated depreciation was \$5,460 at June 30, 2016. The balance of the capital lease was \$3,265 at June 30, 2016. The Charter School is committed under a capital lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 3,120	\$ 3,006	\$ 114
2018	<u>260</u>	<u>259</u>	<u>1</u>
Total Future Minimum Lease	<u>\$ 3,380</u>	<u>\$ 3,265</u>	<u>\$ 115</u>

Operating Lease - Photocopiers:

The Charter School maintains operating leases for copier equipment. Lease terms are for 36 months, with monthly lease amounts of \$260 each. Equipment rental expense totaled \$6,240 and \$5,720 for the years ending June 30, 2016 and 2015, respectively. Future minimum payments due under such leases are as follows:

<u>Year Ended June 30,</u>	
2017	\$ 3,640
2018	<u>520</u>
Total	<u>\$ 4,160</u>

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. CONCENTRATIONS:

Revenues:

The Charter School receives public funds from the DC government 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, 2016 and 2015, ninety-one percent (91%) and ninety-two percent (92%), respectively, 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 (DC PCSB).

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.

13. CONTINGENCIES:

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 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. 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.

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 Government. Any future change in dynamics could adversely affect the operations of public charter schools.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 22, 2016, 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.

Enrollment:

Anticipated enrollment for the 2016/2017 school year is three hundred twenty-eight (328) students. These enrollment numbers are down from the current audit enrollment number of three hundred thirty-three (333) students during the 2015/2016 school year.

15. RELATED PARTY TRANSACTIONS:

Mamie D. Lee, LLC:

Bridges Public Charter School, along with Briya Public Charter School, formed Mamie D. Lee, LLC (the LLC), which was established to lease a school building from the DC Government. This school building was renovated by the LLC and subleased to Bridges and Briya Public Charter Schools for the 2016-2017 school year. These two schools, who are both 501(c)(3) organizations, are the only members of the LLC. All transactions of the LLC are consolidated with the transactions of Briya Public Charter School.

On March 28, 2016, the Charter School made an initial capital contribution of \$459,000, resulting in a 8% interest in the LLC. The Charter School uses the Equity method to account for its investment.

During the year ended June 30, 2016, the LLC entered into two separate loan agreements. The debt incurred by the LLC is guaranteed by the Charter School. As of June 30, 2016, the outstanding debt balance of the LLC is \$7,816,894.

As of June 30, 2016, the Charter School has an amount due from the LLC of \$15,000.

Contributions:

Various board members of the Charter School and organizations for which they are affiliated made contributions to the School. Such contributions of \$24,290 and \$3,745 were made during the years ended June 30, 2016 and 2015, respectively.

Donated Services:

One of the Charter School's board members provided professional services to the Charter School for which a value of \$5,500 was assigned and recognized in the financial statements during the year ended June 30, 2016.

16. FUNDRAISING:

During the years ended June 30, 2016 and 2015, expenses incurred for the purpose of fundraising were \$111,435 and \$2,861, respectively.

BRIDGES PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. ADVERTISING:

Advertising costs are expensed when incurred. Advertising activities were conducted for the purpose of promoting open enrollment to the school and to provide outreach to the community. Direct advertising costs in the amount of \$41,698 and \$25,988 were incurred during the years ended June 30, 2016 and 2015, respectively.

18. 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 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 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 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, 2016 and 2015 was \$38,479 and \$29,146, respectively.

19. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Rent	\$ 833,426	\$ 640,762
Contracted Building Services	85,702	80,746
Maintenance and Repairs	14,443	18,344
Janitorial Supplies	10,491	8,970
Utilities	<u>90,848</u>	<u>81,026</u>
Total	<u>\$ 1,034,910</u>	<u>\$ 829,848</u>

BRIDGES PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>				<u>June 30, 2015</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>								
Contracted Executive Salaries	\$ 443,957	\$ 293,716	\$ 73,429	\$ 76,812	\$ 296,861	\$ 237,488	\$ 59,373	\$ -
Teachers' Salaries	3,108,058	3,108,058	-	-	2,333,212	2,333,212	-	-
Teachers' Aides/Assistants' Salaries	394,342	394,342	-	-	413,551	413,551	-	-
Other Educational Professional Salaries	475,655	475,655	-	-	608,456	608,456	-	-
Clerical Salaries	77,920	-	77,920	-	76,487	-	76,487	-
Business Operation Salaries	100,910	-	100,910	-	199,658	-	199,658	-
Employee Benefits	316,067	293,460	17,330	5,277	247,256	226,137	21,119	-
Payroll Taxes	381,665	354,367	20,926	6,372	332,632	304,221	28,411	-
Professional Development	95,425	90,104	5,321	-	73,082	66,840	6,242	-
Other Staff-Related Costs	<u>26,411</u>	<u>24,939</u>	<u>1,472</u>	<u>-</u>	<u>354</u>	<u>324</u>	<u>30</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 5,420,410</u>	<u>\$ 5,034,641</u>	<u>\$ 297,308</u>	<u>\$ 88,461</u>	<u>\$ 4,581,549</u>	<u>\$ 4,190,229</u>	<u>\$ 391,320</u>	<u>\$ -</u>
<u>Direct Student Costs:</u>								
Food Service	\$ 301,036	\$ 284,250	\$ 16,786	\$ -	\$ 245,090	\$ 224,156	\$ 20,934	\$ -
Instructional Supplies and Equipment	93,758	93,758	-	-	92,919	92,919	-	-
Contracted Instructional/Student Services	565,613	565,613	-	-	384,782	384,782	-	-
Student Assessment	28,251	28,251	-	-	5,175	5,175	-	-
Textbooks	19,253	19,253	-	-	27,172	27,172	-	-
Other Student Costs	<u>62,340</u>	<u>62,340</u>	<u>-</u>	<u>-</u>	<u>51,133</u>	<u>51,133</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 1,070,251</u>	<u>\$ 1,053,465</u>	<u>\$ 16,786</u>	<u>\$ -</u>	<u>\$ 806,271</u>	<u>\$ 785,337</u>	<u>\$ 20,934</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 833,426	\$ 773,816	\$ 45,696	\$ 13,914	\$ 640,762	\$ 586,033	\$ 54,729	\$ -
Contracted Building Services	85,702	79,572	4,699	1,431	80,746	73,849	6,897	-
Maintenance and Repairs	14,443	13,410	792	241	18,344	16,777	1,567	-
Janitorial Supplies	10,491	9,741	575	175	8,970	8,204	766	-
Utilities	<u>90,848</u>	<u>84,350</u>	<u>4,981</u>	<u>1,517</u>	<u>81,026</u>	<u>74,105</u>	<u>6,921</u>	<u>-</u>
Total Occupancy Costs	<u>\$ 1,034,910</u>	<u>\$ 960,889</u>	<u>\$ 56,743</u>	<u>\$ 17,278</u>	<u>\$ 829,848</u>	<u>\$ 758,968</u>	<u>\$ 70,880</u>	<u>\$ -</u>

(See Accompanying Notes and Auditor's Report)

BRIDGES PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>				<u>June 30, 2015</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	\$ 14,138	\$ 13,350	\$ 788	\$ -	\$ 30,560	\$ 27,950	\$ 2,610	\$ -
Equipment Rental and Maintenance	49,496	46,736	2,760	-	34,423	31,483	2,940	-
Telecommunications	30,809	28,606	1,689	514	23,193	21,212	1,981	-
Postage and Shipping	1,236	1,167	69	-	2,100	1,921	179	-
Computer and Related	19,063	18,000	1,063	-	-	-	-	-
Other Office Expenses	<u>5,452</u>	<u>5,148</u>	<u>304</u>	<u>-</u>	<u>8,893</u>	<u>8,133</u>	<u>760</u>	<u>-</u>
Total Office Expenses	<u>\$ 120,194</u>	<u>\$ 113,007</u>	<u>\$ 6,673</u>	<u>\$ 514</u>	<u>\$ 99,169</u>	<u>\$ 90,699</u>	<u>\$ 8,470</u>	<u>\$ -</u>
<u>General Expenses:</u>								
Insurance	\$ 20,332	\$ 18,878	\$ 1,115	\$ 339	\$ 24,741	\$ 22,628	\$ 2,113	\$ -
Dues and Subscriptions	-	-	-	-	2,861	2,409	452	-
Professional Fees	675,657	642,448	33,209	-	425,178	367,801	57,377	-
Interest	289	-	289	-	409	374	35	-
Authorizer Fee	88,207	-	88,207	-	74,329	-	74,329	-
Bad Debt Expense	19,505	19,505	-	-	18,148	18,148	-	-
Depreciation	157,690	148,897	8,793	-	124,181	113,574	10,607	-
Other General Expenses	<u>19,756</u>	<u>12,994</u>	<u>1,919</u>	<u>4,843</u>	<u>36,511</u>	<u>26,160</u>	<u>7,490</u>	<u>2,861</u>
Total General Expenses	<u>\$ 981,436</u>	<u>\$ 842,722</u>	<u>\$ 133,532</u>	<u>\$ 5,182</u>	<u>\$ 706,358</u>	<u>\$ 551,094</u>	<u>\$ 152,403</u>	<u>\$ 2,861</u>
Total Functional Expenses	<u>\$ 8,627,201</u>	<u>\$ 8,004,724</u>	<u>\$ 511,042</u>	<u>\$ 111,435</u>	<u>\$ 7,023,195</u>	<u>\$ 6,376,327</u>	<u>\$ 644,007</u>	<u>\$ 2,861</u>

(See Accompanying Notes and Auditor's Report)

BRIDGES CHARTER SCHOOL
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 8,004,724	\$ 24,038
General and Administrative	511,042	1,535
Fundraising	<u>111,435</u>	<u>335</u>
Total	<u>\$ 8,627,201</u>	<u>\$ 25,908</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 333 students.

June 30, 2015

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 6,376,327	\$ 23,442
General and Administrative	644,007	2,368
Fundraising	<u>2,861</u>	<u>11</u>
Total	<u>\$ 7,023,195</u>	<u>\$ 25,821</u>

The above is the average per student cost for the year ended June 30, 2015, and is based on a full time equivalent (FTE) enrollment of 272 students.

(See Accompanying Notes and Auditor's Report)

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 the Bridges Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2016.

Internal Control Over Financial Reporting

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

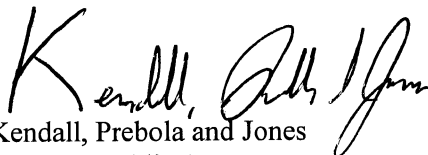
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 22, 2016

BRIDGES PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

There were no audit findings in the prior year.

BRIDGES PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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.