

Bridges Preparatory School
(A Component Unit of the South Carolina
Public Charter School District)

Beaufort, South Carolina

ANNUAL FINANCIAL REPORT
June 30, 2020

(With Independent Auditors' Report Thereon)

**BRIDGES PREPARATORY SCHOOL
 BEAUFORT, SOUTH CAROLINA
 Annual Financial Report
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MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Directors
Bridges Preparatory School
Beaufort, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of Bridges Preparatory School (“the School”), a component unit of the South Carolina Public Charter School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School’s financial statements, as listed in the accompanying table of contents.

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 the 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 of 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 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 in the first paragraph above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of Bridges Preparatory School at June 30, 2020, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is supplementary information required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund and Schedule of Expenditures of Federal Awards, as required by the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the financial statements of Bridges Preparatory School. 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. Such 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 supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of 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 and should be considered in assessing the results of our audit.

Martin Smith and Company CPAs PA

**BRIDGES PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

This discussion and analysis of Bridges Preparatory School's ("the School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements themselves to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

In the Statement of Net Position, the assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$3,980,475 (net position). Of this amount, however, \$798,202 is invested in capital assets (net of debt) and \$1,101,289 is restricted for various purposes. Therefore, the School reported an unrestricted net position of \$2,080,984.

The School's net position decreased by \$57,668 during the current fiscal year, as compared to an increase of \$526,955 in the previous fiscal year.

Fund Financial Statements

As of the close of the current fiscal year, the School's Governmental Funds reported a combined ending fund balance of \$3,991,486, compared to a fund balance of \$3,029,867 in the previous fiscal year.

The School's total capital assets, net of accumulated depreciation, were \$22,066,305. The School completed the initial phase of its permanent campus, increasing its capital assets by \$9,172,493.

The School obtained permanent financing for its construction projects, borrowing \$19,122,547 and repaying \$16,524,727 in interim financing. The School also borrowed an additional \$2,796,800 from banks for capital expenditures and other needs.

During the 2020 fiscal year, the School's governmental fund-type revenues were \$7,604,112. The School reported governmental fund-type revenues of \$6,536,516 in the previous fiscal year.

During the current fiscal year, the School's governmental fund-type expenditures were \$32,699,632. This amount included \$16,993,324 in debt service payments and included \$8,927,507 in capital outlays for its construction projects.

Overall

The 135-day student count increased by 77, from 704 students in the prior year to 781 students in the current year. The 135-day enrollment count is the basis for most of the state funds that the School receives.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis serves as an introduction to the School's Financial Statements. The School's Financial Statements consist of three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

In addition to the Financial Statements, this report contains Required Supplementary Information that will enhance the reader's understanding of the financial condition of the School.

**BRIDGES PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad overview of the School's overall financial status, in a manner similar to a private-sector enterprise.

The Statement of Net Position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods.

The Government-Wide Financial Statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). However, all activities of the School are governmental activities, which include instruction, supporting services, and debt service.

Fund Financial Statements

The remaining financial statements are Fund Financial Statements which focus on individual parts of the School, reporting the School's operations in more detail than the Government-wide Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the School are Governmental Funds, one of three types of funds (governmental, proprietary, and fiduciary).

Governmental Funds are used to account for essentially the same functions reported as Governmental Activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on near-term uses of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The School maintains three individual Governmental Funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Special Revenue Funds. The Governmental Funds Financial Statements can be found at Exhibits C, D, E, and F of this report.

**BRIDGES PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found following Exhibit F of this report.

Other Information

The School adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided in the required supplementary information section for this fund to demonstrate compliance with its budget.

Major Features of Bridges Preparatory School Government-Wide and Fund Financial Statements		
	Government-Wide Statements	Fund Financial Statements
		<i>Government Funds Only</i>
Scope	Entire school unit	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods/services have been received and payment is due during the year or soon after

**BRIDGES PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$3,980,475 at the close of the most recent fiscal year.

The following table provides a summary of the School's net position for 2020 compared to 2019:

Net Position

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 4,710,458	\$ 4,793,995
Capital assets	<u>22,066,305</u>	<u>13,605,388</u>
Total assets	<u>26,776,763</u>	<u>18,399,383</u>
Liabilities		
Long-term liabilities	22,077,316	12,561,541
Other liabilities	<u>718,972</u>	<u>1,764,128</u>
Total liabilities	<u>22,796,288</u>	<u>14,325,669</u>
Net Position		
Net investment in capital assets	798,202	1,049,763
Restricted	1,101,289	1,341,970
Unrestricted net position	<u>2,080,984</u>	<u>1,681,981</u>
Total net position	<u>\$ 3,980,475</u>	<u>\$ 4,073,714</u>

During the current fiscal year, net position of the School's governmental activities decreased by \$57,668. Unrestricted net position – the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$1,681,981 at June 30, 2019, to \$2,080,984 at June 30, 2020

**BRIDGES PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

The following table shows the changes in net position for fiscal year 2020 compared to 2019:

Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Operating grants	\$ 7,451,655	\$ 6,512,166
Charges for services and sales	128,497	11,015
General revenue:		
Other	23,958	13,334
	<u>7,604,110</u>	<u>6,536,515</u>
Program Expenses		
Instruction	3,750,100	3,254,288
Support services	3,466,215	2,755,272
Interest	445,463	-
	<u>7,661,778</u>	<u>6,009,560</u>
Increase in net position	<u>\$ (57,668)</u>	<u>\$ 526,955</u>

Governmental Activities:

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

For the year ended June 30, 2020, the School's Governmental Funds reported combined fund balances of \$3,991,486 as compared to \$3,029,867 for the prior year.

The Special Revenue Funds consists of various Federal and Education Improvement Act Funds. These funds were spent appropriately as mandated by the legislation that allowed for their distribution. The funds that were received during the year were expended during the current fiscal year; therefore, there was no fund balance at the end of the previous or current year.

General Fund Budgetary Highlights

The School's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of the fiscal year 2020, amendments to the School's General Fund budget resulted in an insignificant change in fund balances.

**BRIDGES PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the School had \$22,066,305 net investment in capital assets. The year-end total of capital assets was \$23,065,596, with a total accumulated depreciation of \$999,292. The depreciation expense taken during the year was \$466,591, and capital asset additions were \$8,927,507.

The following table shows fiscal 2020 balances compared to 2019:

	Capital Assets (Net of Depreciation)	
	Governmental Activities	
	2020	2019
Land	\$ 1,134,600	\$ 1,134,600
Buildings	18,885,823	796,380
Buildings/leasehold improvements	144,231	304,369
Vehicles	9,870	18,330
Furniture, fixtures, and equipment	162,869	31,282
Construction in progress	1,728,912	11,320,427
Totals	<u>\$ 22,066,305</u>	<u>\$ 13,605,388</u>

The School completed its construction project for the initial phase of its permanent campus and began a construction projection for the next phase of its campus. The School has approximately \$13,000,000 remaining on this project and expects that the project will be completed in the next fiscal year.

Long-term Debt

At fiscal year-end, the School had \$22,064,903 in notes payable and capital leases versus \$12,555,625 in the prior year, as shown in the following table:

	Governmental Activities	
	2020	2019
Note payable to USDA	\$ 9,999,990	\$ -
Note payable to USDA	9,122,557	-
Note payable to financial institution	2,000,000	-
Note payable to financial institution	796,800	-
Capital lease obligation	145,556	-
Note payable to financial institution	-	12,555,625
Total long-term debt	<u>\$ 22,064,903</u>	<u>\$ 12,555,625</u>

The U.S. Department of Agriculture (“USDA”) will be providing permanent financing for the amount borrowed in construction financing for the ongoing construction project when the project is completed during the next fiscal year.

**BRIDGES PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

Economic Factors

The following key economic indicators reflect the operations of the School:

- The School continues to see community support as evidenced by the volunteerism, local organizations donating classroom and office supplies, private donations, and support through fundraising.
- The School has a returning staff of professionals that are committed to the School.
- The School will continue to seek both federal and private grant funds to supplement its Education Finance Act ("EFA") funding.

Contacting the School's Financial Management

This financial report is designed to provide interested parties with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's business office located at 1100 Boundary Street, Beaufort, South Carolina 29902.

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 4,654,558
Due from other governmental units	25,155
Prepaid expenses	25,295
Deposits	4,250
Other receivables	1,200
Capital assets	23,065,597
Less accumulated depreciation and amortization	(999,292)
Total capital assets, net of depreciation	<u>22,066,305</u>
Total assets	<u>26,776,763</u>
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	718,721
Revenue collected in advance	251
Long-term liabilities:	
Compensated absences	12,413
Due within one year	307,039
Due in more than one year	<u>21,757,864</u>
Total liabilities	<u>22,796,288</u>
<u>NET POSITION</u>	
Net investment in capital assets	798,202
Restricted net position	1,101,289
Unrestricted net position	<u>2,080,984</u>
Total net position	<u>\$ 3,980,475</u>

The notes to the financial statements are an integral part of this statement.

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction	\$ 3,750,100	\$ -	\$ 3,647,254	\$ (102,846)
Support services	3,466,215	-	3,371,155	(95,060)
Interest and other charges	445,463	128,497	433,246	116,280
Total governmental activities	<u>7,661,778</u>	<u>128,497</u>	<u>7,451,655</u>	<u>(81,626)</u>
Total	<u>\$ 7,661,778</u>	<u>\$ 128,497</u>	<u>\$ 7,451,655</u>	<u>(81,626)</u>
General revenues:				
				22,356
				1,602
				<u>23,958</u>
				(57,668)
				<u>4,073,714</u>
				<u>\$ 4,016,046</u>

The notes to the financial statements are an integral part of this statement.

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2020

	<u>General</u>	<u>Special Revenue</u>	<u>EIA</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,654,558	\$ -	\$ -	\$ 4,654,558
Due from other funds	-	-	251	251
Due from other governmental units	25,155	-	-	25,155
Prepaid items	25,295	-	-	25,295
Deposits	4,250	-	-	4,250
Other receivables	1,200	-	-	1,200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>4,710,458</u>	\$ <u>-0-</u>	\$ <u>251</u>	\$ <u>4,710,709</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 718,721	\$ -	\$ -	\$ 718,721
Due to other funds	251	-	-	251
Unearned revenue	-	-	251	251
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>718,972</u>	<u>-0-</u>	<u>251</u>	<u>719,223</u>
Fund balances:				
Nonspendable	30,745	-	-	30,745
Restricted	1,101,289	-	-	1,101,289
Assigned	-	-	-	-
Unassigned	2,859,452	-	-	2,859,452
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,991,486</u>	<u>-0-</u>	<u>-0-</u>	<u>3,991,486</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>4,710,458</u>	\$ <u>-0-</u>	\$ <u>251</u>	\$ <u>4,710,709</u>

The notes to the financial statements are an integral part of this statement.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020**

Total fund balances - governmental funds	\$	3,991,486
<p>Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets is \$23,065,597 and the accumulated depreciation is \$999,292.		22,066,305
Certain liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(22,064,903)
Certain liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(12,413)</u>
Net position of governmental activities	\$	<u><u>3,980,475</u></u>

The notes to the financial statements are an integral part of this statement.

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u>	<u>EIA Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local	\$ 152,455	\$ 28,793	\$ -	\$ 181,248
State	3,361,276	108,523	3,821,454	7,291,253
Federal	21,607	80,004	-	101,611
Intergovernmental	30,000	-	-	30,000
	<u>3,565,338</u>	<u>217,320</u>	<u>3,821,454</u>	<u>7,604,112</u>
EXPENDITURES				
Current:				
Instruction	3,323,031	96,159	291,202	3,710,392
Support services	2,947,039	120,396	974	3,068,409
Community services	-	-	-	-
Intergovernmental	-	-	-	-
Debt service:				
Redemption of principal and interest	16,993,324	-	-	16,993,324
Capital outlay	8,927,507	-	-	8,927,507
	<u>32,190,901</u>	<u>216,555</u>	<u>292,176</u>	<u>32,699,632</u>
Excess (deficiency) of revenues over expenditures	<u>(28,625,563)</u>	<u>765</u>	<u>3,529,278</u>	<u>(25,095,520)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term notes	26,057,139	-	-	26,057,139
Operating transfers in	3,529,278	(765)	-	3,528,513
Operating transfers out	765	-	(3,529,278)	(3,528,513)
	<u>29,587,182</u>	<u>(765)</u>	<u>(3,529,278)</u>	<u>26,057,139</u>
Net change in fund balances	961,619	-0-	-0-	961,619
FUND BALANCE, July 1, 2019	<u>3,029,867</u>	<u>-0-</u>	<u>-0-</u>	<u>3,029,867</u>
FUND BALANCE, June 30, 2020	<u>\$ 3,991,486</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,991,486</u>

The notes to the financial statements are an integral part of this statement.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2020**

Total net change in fund balances - governmental funds	\$ 961,619
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$8,963,078), less disposals, exceeds depreciation (\$466,591) in the period.	8,496,487
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	(26,057,769)
Some expenses, including compensated absences, reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(5,866)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	<u>16,547,861</u>
Change in net position of governmental activities	<u>\$ (57,668)</u>

The notes to the financial statements are an integral part of this statement.

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bridges Preparatory School (“the School”) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Bridges Preparatory School is a nonprofit organization incorporated in the State of South Carolina and organized under the South Carolina Charter School Act of 1996. The School's charter was approved in April 2012 through a ten-year charter granted by the South Carolina Public Charter School District (“the District”). The School serves students from kindergarten through tenth grade in Beaufort County, South Carolina.

A charter school is an independent public school, governed by an independent Board of Directors (“the Board”). To encourage innovation, charter schools operate free from a number of state laws and regulations. Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. Charter schools may charge for selected additional costs consistent with those permitted by school districts. Because charter schools receive local, state and federal funds they may not charge tuition.

The School is considered a component unit of the South Carolina Public Charter School District. A component unit, although a legally separate entity, is, in substance, part of the South Carolina Public Charter School District's operations. The School has no component units for which it is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities which report information on all of the activities of the School. The School does not have any business-type activities. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers who purchase, use or directly benefit from services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the Fund Financial Statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due. All other revenue items are considered to be measurable and available only when cash is received by the School.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

The School reports the following major governmental funds:

- The General Fund is the School’s primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- The Special Revenue Fund accounts for specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes. Money in this fund is expended according to the provisions of general statutes applicable to charter schools.

The School has no non-major governmental funds at June 30, 2020.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance

1) Deposits and Investments

The School’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The School is authorized to invest in securities as allowed by South Carolina statute. Those investments are restricted to:

- 1) Obligations of the United States and agencies thereof;
- 2) General obligations of the State of South Carolina or any of its political units;
- 3) Savings and loan associations to the extent that the same are secured by the Savings Association Insurance Fund of the FDIC;
- 4) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest.

2) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both Government-Wide and Fund Financial Statements.

3) Capital Assets

Capital assets include equipment, furniture, technology, vehicles and leasehold improvements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Building / leasehold improvements	15 - 39
Vehicles	5 - 7
Furniture, fixtures, and equipment	3 - 5

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance, Continued

4) Unearned Revenue

Unearned revenue arises when resources have been received but not yet earned. Federal, state, local and private program grants revenue received and not yet expended by the School are recorded as unearned revenue. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the grant proceeds, the liability for unearned revenue is removed from the Balance Sheet and revenue is recognized. Unearned revenue as of June 30, 2020 was \$251.

5) Construction Retainage

The School includes in other liabilities retainage amounts payable under construction contracts. There was no retainage payable at June 30, 2020.

6) Long-term Obligations

In the Government-Wide Financial Statements long-term debt and long-term obligations are reported as liabilities in the Statement of Net Position. In the Fund Financial Statements, governmental fund-types recognize principal and interest payments as expenditures of the current period and report the face amount of debt issued as other financing sources.

7) Compensated Absences

The School's general leave policy allows for the accumulation of unused vacation leave. Employees terminating or retiring are paid for accumulated vacation leave based on the years of service with the School as listed below, in addition to their severance pay agreed upon with the School. Leave days can accumulate to a maximum of 30 – 40 days according to the chart below, after which they will be forfeited if not used:

<u>Payout for Unused Days</u>	<u>Amount per Day</u>	<u>Accumulated Leave Days</u>	<u>Maximum Days Allowed</u>
1 to 4 years of service	\$10	Up to 190	30
5 of more years of service	\$25	191 to 209	33
5 of more years of service	\$25	210 to 219	36
5 of more years of service	\$25	220 to 240	40

8) Fund Equity

In the Fund Financial Statements, fund balance classifications depict the nature of the net resources reported in the governmental funds. Individual governmental funds may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of these classifications. The General Fund also includes unassigned amounts. The School considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used. The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes, if any are determined. Then any remaining fund balance amounts for the non-general funds. Committed fund balance amounts are established by the School's Board through motions passed at the School's Board meetings. Assigned fund balance amounts are established by the School's administration. The School has no assigned fund balance amounts.

Nonspendable Fund Balance - includes amounts which cannot be spent. This includes items that may not be in spendable form or that may be legally or contractually required to be maintained intact. The School's nonspendable fund balance represents amounts not in spendable form.

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance, Continued

8) Fund Equity, continued

Restricted Fund Balance - includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation. The School has notes payable from the USDA that require reserves to be established and funded. This Debt Service Reserve Fund ("DSR") has a balance of \$1,042,077 as of June 30, 2020. The School also has cash balances of \$21,790 and \$35,971 as of June 30, 2020 which is restricted for use in its construction project and for student activities, respectively.

Committed Fund Balance - includes amounts that can only be used for the specific purposes pursuant to constraints imposed by a formal action of the Board.

Assigned Fund Balance - includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. Assignments of fund balance are established by the School's administration.

Unassigned Fund Balance - is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

9) Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

10) Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance, Continued

10) Fair Value, continued

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

11) Use of Estimates

The preparation of the financial statements in conformity with GAAP as applicable to governmental units requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, expenditures or expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all governmental funds are adopted on the modified accrual basis for accounting, which is consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end and the School does not employ encumbrance accounting.

Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. The School's policies allow funds to be transferred between functions. However, the total budget cannot be increased beyond that level without approval of the School's Charter Committee. The legal level of control is at the fund level. During the year, the School revised the budget. The administration has discretionary authority to make transfers between appropriation accounts. The budget amounts in the financial statements are as amended by the administration.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020**

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At June 30, 2020, the School’s carrying amount of deposits was \$4,654,558 and the bank balance was \$4,619,317, of which \$4,404,888 was not covered by Federal Depository Insurance (“FDIC”). This amount was fully collateralized. The School had no investments at June 30, 2020. The School does not have a formal deposit policy for credit risk but follows the investment policy statutes of the State of South Carolina. The School had \$1,042,477 in cash as of June 30, 2020 which was restricted for its Debt Service Reserve Fund and \$21,790 in cash as of June 30, 2020 which was restricted for use in its construction project.

B. Due to/From and Transfers between Funds

During the course of normal operations, the School has transactions between funds to provide services. These transactions are generally reflected as transfers. Transfers from and to other funds for the year ended June 30, 2020, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 3,529,278	\$ 765
Special Projects Fund	765	-
Education Improvement Act Fund	-	3,529,278
Totals	\$ 3,530,043	\$ 3,530,043

The General Fund received transfers from EIA to supplement operations as part of funding flexibility. The General Fund transferred funds to special revenue to help offset unfunded mandates.

At June 30, 2020 the General Fund owed the Education Improvement Act Fund \$251 for funds received by General Fund and not yet expended.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020**

III. DETAILED NOTES ON ALL FUNDS, Continued

C. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,134,600	\$ -	\$ -	\$ 1,134,600
Construction in progress	<u>11,320,427</u>	<u>1,643,186</u>	<u>(11,234,701)</u>	<u>1,728,912</u>
Total assets not being depreciated	<u>12,455,027</u>	<u>1,643,186</u>	<u>(11,234,701)</u>	<u>2,863,512</u>
Capital assets being depreciated:				
Buildings	902,294	18,350,332	-	19,252,626
Buildings/leasehold improvements	683,553	-	-	683,553
Vehicles	42,300	-	-	42,300
Furniture, fixtures and equipment	<u>54,916</u>	<u>168,690</u>	<u>-</u>	<u>223,606</u>
Total assets being depreciated	<u>1,683,063</u>	<u>18,519,022</u>	<u>-0-</u>	<u>20,202,085</u>
Total capital assets	<u>14,138,090</u>	<u>20,162,208</u>	<u>(11,234,701)</u>	<u>23,065,597</u>
Less accumulated depreciation for:				
Buildings	105,913	260,891	-	366,804
Buildings/leasehold improvements	379,184	160,137	-	539,321
Vehicles	23,970	8,460	-	32,430
Furniture, fixtures and equipment	<u>23,633</u>	<u>37,104</u>	<u>-</u>	<u>60,737</u>
Total accumulated depreciation	<u>532,700</u>	<u>466,592</u>	<u>-0-</u>	<u>999,292</u>
Net capital assets being depreciated	<u>\$ 1,150,363</u>	<u>\$ 18,052,430</u>	<u>\$ -0-</u>	<u>\$ 19,202,793</u>
Governmental activities capital assets, net	<u>\$ 13,605,390</u>	<u>\$ 19,695,616</u>	<u>\$ (11,234,701)</u>	<u>\$ 22,066,305</u>

Depreciation expense charged to functions/programs was as follows:

Governmental Activities:

Instruction	\$ 33,212
Support services	<u>433,380</u>

Total depreciation / amortization expense for governmental activities \$ 466,592

During the year ended June 30, 2018, the School commenced a construction project for the initial phase of its permanent campus. Amounts expended on this project were included in construction in progress. During the year ended June 30, 2020, the School completed this phase of its construction project and transferred the costs to the appropriate capital asset accounts. During the year ended June 30, 2020, the School began a construction project for the next phase of its campus, an elementary complex. Amounts expended on this project were included in construction in progress at June 30, 2020. The School has approximately \$13,000,000 remaining to be expended as of June 30, 2020. It is expected that the project will be completed in the next fiscal year.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020**

III. DETAILED NOTES ON ALL FUNDS, Continued

D. Long-Term Debt

In December 2018, the School entered into a \$17,250,000 construction loan with a financial institution for interim financing of its construction of a permanent campus. This loan was used to fund construction expenditures. The U.S. Department of Agriculture (“USDA”) provided a permanent financing commitment of \$19,999,970. The School closed on two USDA loans for this permanent financing in the amounts of \$9,999,990 and \$9,999,980 on November 1, 2020. The School borrowed \$19,122,547 under these two loans to fully repay the construction loan. Each of these loans is repayable monthly over 35 years at a fixed interest rate of 3%, with monthly payments of \$40,600. For the first twenty-four months after closing, the loans require monthly payments of interest only. The loans are collateralized by the land, buildings, furniture and equipment.

In February 2020, the School entered into a \$2,000,000 loan with a financial institution for completion of the furnishing and technology needs of its permanent campus.

In June 2020, the School received a note payable from a bank in connection with the Paycheck Protection Program (“the PPP”). The note matures in June 2022 and bears interest at 1%. The note payable is eligible for forgiveness and management expects the full amount to be forgiven during 2020. If the full amount of the loan is not forgiven, the expected monthly payment of principal of \$44,267, plus interest, will begin in January 2021. The balance of the loan was \$796,800 at June 30, 2020.

Notes payable consist of the following as of June 30, 2020:

Note payable to USDA, bearing interest at 3.00%, interest payments due monthly through November 2021, then monthly principal and interest payments of \$40,600 due for 420 months. The loan is secured by real estate mortgage on land and building.	\$ 9,999,990
Note payable to USDA, bearing interest at 3.00%, interest payments due monthly through November 2021, then monthly principal and interest payments of \$40,600 due for 420 months. The loan is secured by real estate mortgage on land and building.	9,122,557
Note payable to financial institution, bearing interest at prime rate + 1%, interest payments due monthly through March 2021, then monthly principal and interest payments of \$40,600 due for 288 months. The loan is secured by real estate mortgage on land and building.	2,000,000
Note payable to financial institution, bearing interest at 1%, monthly principal payments of \$44,267, plus interest, due for 18 months starting January 2021.	796,800
	21,919,347
Less current portion of long-term debt	(272,130)
Total long-term debt	\$ 21,647,217

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020**

III. DETAILED NOTES ON ALL FUNDS, Continued

D. Long-Term Debt, continued

Maturities of notes outstanding at June 30, 2020, based upon current financing arrangements, are as follows:

Year Ending June 30		
2021	\$	272,130
2022		571,707
2023		262,946
2024		431,717
2025		446,149
Thereafter		19,934,698
Total	\$	21,919,347

During the year ended June 30, 2020, the School began a construction project for the next phase of its campus, an elementary complex. The U.S. Department of Agriculture (“USDA”) is providing permanent financing not to exceed \$14,700,000 for the amount borrowed in construction financing, when the project is completed during the next subsequent fiscal year. Once conditions are met and the USDA loan closes, it will be repayable over a period not to exceed 35 years from the date of the loan closing, with monthly payments of \$57,624. The loan will be collateralized by a real estate mortgage on the land.

Changes in long-term debt for the year ended June 30, 2020 were as follows:

Notes payable, beginning of year	\$	12,555,625
Borrowings		25,888,449
Principal payments		(16,524,727)
Notes payable, end of year	\$	21,919,347

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020**

III. DETAILED NOTES ON ALL FUNDS, Continued

D. Long-Term Debt, continued

Capital Leases Payable

During the year ended June 30, 2020 the School entered into a lease agreement to finance the purchase of computer equipment. The lease is a five-year term requiring annual installments including interest at 6.648%, liquidated by the General Fund. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments. As of June 30, 2020, the lease remained unpaid with remaining payments as follows:

<u>Year Ended</u> <u>June 30</u>		
2021	\$	39,409
2022		39,409
2023		39,409
2024		39,409
2025		<u>9,852</u>
		167,488
Less amounts representing interest		<u>(21,931)</u>
	\$	<u><u>145,557</u></u>

IV. OTHER INFORMATION

A. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains a \$1,000,000 per occurrence general liability policy and a \$2,000,000 per occurrence errors and omissions policy with a commercial carrier.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

B. Employee Retirement Plan

The School maintains a 457 Deferred Compensation Plan and Trust with the State of South Carolina for all full-time employees. Employees contribute through payroll deductions to the plan and the School matches up to 5% of gross wages of the employee's contributions. These provisions were established by the Board. The School contributed \$76,233 to the plan for the year ended June 30, 2020.

D. Commitments and Contingencies

The School participates in a number of federal and state assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of program expenditures that may be disallowed by the granting agencies cannot be determined at this time. Based on prior experience, the School's management believes such disallowances, if any, would be immaterial.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020**

IV. OTHER INFORMATION, Continued

E. Operating Leases

In October 2016, the School entered into an operating lease for office equipment. The lease requires 60 payments of \$372. Rent expense under this lease for the year ended June 30, 2020 was \$4,464.

In March 2015, the School entered into an operating lease for a modular unit. The lease required 36 payments of \$4,116. The lease was subsequently renewed for the lease term from March 2018 through June 2019. Lease continues on a month-to-month basis. Rent expense under this lease for the year ended June 30, 2020 was \$49,392.

In July 2015, the School entered into an operating lease for office equipment. The lease requires 60 payments of \$115. Rent expense under this lease for the year ended June 30, 2020 was \$1,380.

In July 2015, the School entered into a two-year operating lease for use of commercial space. The lease required payments of \$4,000 per month for the initial year and increases at a rate of 3% per annum for each additional year. The School extended this lease for an additional year through August 2018 at payments of \$6,176 a month. The School extended this lease again for an additional year through August 2019 at payments of \$6,303 a month. The School extended this lease once again for an additional year through August 15, 2020 at payments of \$6,434 a month. Rent expense under this lease for the year ended June 30, 2020 was \$75,636.

In July 2017, the School entered into an operating lease for office equipment. The lease required 60 payments of \$70. Rent expense under this lease for the year ended June 30, 2020 was \$840.

In April 2018, the School entered into an 18-month operating lease for use of commercial space. The lease required monthly payments of \$19,648.52 beginning August 2018. Rent expense under this lease for the year ended June 30, 2020 was \$137,543.

The future minimum lease payments are as follows for June 30:

2021	\$	5,419
2022		1,956
	\$	7,375

F. Compliance with the USDA Notes Payable Reserve Requirements

The School has a note payable from the USDA that requires reserves to be established and funded as a condition to issuing the loan. The DSR is determined as follows:

- **DSR** - The School must fund this reserve such that the accumulated amount equals one year's annual installments. This reserve is established to assist with debt payments should the need arise and use of these funds must have the USDA approval. The DSR was fully funded in a previous year and remains fully funded as of June 30, 2020.

As discussed at Note III. D., the School intends to borrow under a note payable from the USDA. This note payable agreement, to be signed in the next fiscal year, will require a DSR to be established and funded as a condition to issuing the loan.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2020**

IV. OTHER INFORMATION, Continued

G. Other

In December 2019, an outbreak of novel coronavirus (“COVID-19”) originated in China and spread to other countries, including the U.S. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency, and have limited most aspects of business, education, travel, and personal physical interactions. It is anticipated that these substantial impacts will continue for some time. Beginning in March 2020, the School was forced to move to remote educational offerings and cancel certain afterschool and other programs. These necessary actions did cause school-related revenue and contributions to decrease and additional expenses to be incurred. Future significant impacts may include continued possible adjustments to school operations and calendar and may include disruptions or restrictions on employees’ ability to work. Changes in the operating environment may also increase operating costs. Management of the School is carefully monitoring this situation and has budgeted so as to enable the School to maintain its financial stability.

In response to the pandemic, Congress passed the Corona Aid, Relief, and Economic Security Act (“CARES”), which, among other provisions, introduced additional aid to effected organizations through the PPP. This program allows eligible entities to borrow up to 2.5 times the average monthly eligible payroll costs of the previous year. These funds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower meets certain requirements, all or some portion of the loan may be forgiven.

The School determined its eligibility for PPP and borrowed \$796,800 under this program in May 2020. It anticipates that it will be able to expend the loan proceeds and maintain employment levels in such a manner that it will meet the requirements for full forgiveness of the loan. See Note III. D. above for further information on notes payable.

H. Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 30, 2020, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended June 30, 2020.

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
1000 Revenue from local sources			
1500 Earnings on investments			
1510 Interest on investments	\$ 1,000	\$ 1,602	\$ 602
1700 Pupil activities			
1730 Pupil organization membership dues and fees	5,000	7,005	2,005
1740 Student fees	16,000	20,297	4,297
1790 Other pupil activity income	76,000	59,641	(16,359)
1900 Other revenue from local sources			
1910 Rentals	-	1,200	1,200
1920 Contributions and donations from private sources	25,000	40,354	15,354
1990 Miscellaneous local revenue			
1999 Revenue from other local sources	4,960	22,356	17,396
Total local sources	<u>127,960</u>	<u>152,455</u>	<u>24,495</u>
2000 Intergovernmental revenue			
2100 Payments from other governmental units	-	30,000	30,000
Total intergovernmental sources	<u>-</u>	<u>30,000</u>	<u>30,000</u>
3000 Revenue from state sources			
3100 Restricted state funding			
3130 Special programs			
3180 Fringe benefits employer contrib (no carryover prov)	731,045	782,555	51,510
3186 State aid to classrooms - teacher salary	-	138,617	138,617
3300 Education Finance Act (EFA)			
3311 Kindergarten	150,000	159,072	9,072
3312 Primary	460,000	471,591	11,591
3313 Elementary	720,000	733,309	13,309
3314 High school	270,000	280,933	10,933
3316 Speech handicapped (part-tinme)	110,000	116,147	6,147
3317 Homebound	-	3,559	3,559

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
3320 Part-time programs			
3321 Emotionally handicapped	\$ 4,000	\$ 4,265	\$ 265
3323 Learning disabilities	240,000	250,670	10,670
3326 Orthopedically handicapped	3,000	2,996	(4)
3327 Vocational	90,000	95,490	5,490
3330 Miscellaneous EFA programs			
3331 Autism	30,000	31,984	1,984
3332 High achieving students	30,000	32,366	2,366
3334 Limited english proficiency	10,000	10,757	757
3351 Academic assistance	80,000	87,226	7,226
3352 Pupils in poverty	155,000	155,050	50
3353 Dual credit enrollment	3,484	4,689	1,205
Total state sources	<u>3,086,529</u>	<u>3,361,276</u>	<u>274,747</u>
4000 Revenue from federal sources			
4900 Other federal sources			
4999 Revenue from other federal sources	-	21,607	21,607
Total federal sources	<u>-</u>	<u>21,607</u>	<u>21,607</u>
Total revenues all sources	<u>3,214,489</u>	<u>3,565,338</u>	<u>350,849</u>

EXPENDITURES

100 Instruction			
110 General instruction			
111 Kindergarten programs			
100 Salaries	160,000	153,508	6,492
200 Employee benefits	30,000	26,170	3,830
400 Supplies and materials	-	288	(288)
112 Primary programs			
100 Salaries	340,000	329,941	10,059
200 Employee benefits	165,000	155,600	9,400
400 Supplies and materials	-	755	(755)

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
113 Elementary programs			
100 Salaries	\$ 1,080,000	\$ 1,050,110	\$ 29,890
200 Employee benefits	275,877	267,247	8,630
300 Purchased services	75,000	48,928	26,072
400 Supplies and materials	131,632	127,597	4,035
500 Capital outlay	92,000	168,690	(76,690)
114 High school programs			
100 Salaries	605,000	561,431	43,569
200 Employee benefits	162,000	141,079	20,921
300 Purchased services	-	12,028	(12,028)
400 Supplies and materials	-	12,711	(12,711)
115 Career and Technology Education programs			
100 Salaries	8,000	9,364	(1,364)
200 Employee benefits	1,000	780	220
120 Exceptional programs			
126 Speech handicapped			
100 Salaries	52,000	44,174	7,826
200 Employee benefits	8,000	7,112	888
127 Learning disabilities			
100 Salaries	220,000	232,946	(12,946)
200 Employee benefits	80,000	85,749	(5,749)
400 Supplies and materials	4,000	4,956	(956)
190 Instructional pupil activity			
300 Purchased services	-	250	(250)
400 Supplies and materials	30,000	26,096	3,904
660 Instructional pupil activity	30,000	24,211	5,789
Total instruction	<u>3,549,509</u>	<u>3,491,721</u>	<u>57,788</u>
200 Support services			
210 Pupil services			
211 Attendance and social work services			
100 Salaries	135,000	128,152	6,848
200 Employee benefits	22,000	15,410	6,590

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
212 Guidance services			
100 Salaries	\$ 120,000	\$ 118,799	\$ 1,201
200 Employee benefits	21,000	13,503	7,497
400 Supplies and materials	2,000	-	2,000
213 Health services			
100 Salaries	59,000	51,605	7,395
200 Employee benefits	10,378	10,321	57
300 Purchased services	-	150	(150)
400 Supplies and materials	5,000	3,284	1,716
214 Psychological services			
300 Purchased services	20,000	15,650	4,350
215 Exceptional program services			
300 Purchased services	45,000	49,141	(4,141)
220 Instructional staff services			
221 Improvement of instruction curriculum development			
100 Salaries	145,000	152,396	(7,396)
200 Employee benefits	38,000	41,063	(3,063)
222 Library and media services			
100 Salaries	30,000	25,833	4,167
200 Employee benefits	3,500	2,011	1,489
223 Supervision of special programs			
100 Salaries	38,000	40,698	(2,698)
200 Employee benefits	8,000	6,523	1,477
224 Improvement of instruction inserv and staff training			
300 Purchased services	36,000	24,518	11,482
400 Supplies and materials	-	56	(56)
230 General administrative services			
231 Board of education			
300 Purchased services	3,000	2,488	512
318 Audit services	11,000	11,000	-
600 Other objects	22,000	34,116	(12,116)

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
233 School administration			
100 Salaries	\$ 610,000	\$ 628,672	\$ (18,672)
200 Employee benefits	120,000	130,933	(10,933)
300 Purchased services	35,000	47,535	(12,535)
400 Supplies and materials	50,000	56,475	(6,475)
600 Other objects	3,000	1,868	1,132
250 Finance and operations services			
252 Fiscal services			
300 Purchased services	143,500	205,775	(62,275)
600 Other objects	-	167	(167)
253 Facilities acquisition and construction			
520 Construction services	10,000	8,758,817	(8,748,817)
590 Other capital outlay	-	95,767	(95,767)
254 Operation and maintenance of plant			
100 Salaries	50,000	45,881	4,119
200 Employee benefits	9,000	8,737	263
300 Purchased services	638,000	683,698	(45,698)
321 Public utilities	12,500	24,167	(11,667)
400 Supplies and materials	30,000	44,277	(14,277)
470 Energy	75,000	100,593	(25,593)
255 Student transportation (state mandated)			
100 Salaries	15,000	15,743	(743)
200 Employee benefits	4,000	1,290	2,710
300 Purchased services	5,000	4,777	223
400 Supplies and materials	4,000	3,274	726
258 Security			
300 Purchased services	1,000	1,070	(70)
260 Central support services			
263 Information services			
300 Purchased services	18,303	11,931	6,372
400 Supplies and materials	10,000	8,545	1,455

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
266 Technology and data processing services			
100 Salaries	\$ -	\$ 3,228	\$ (3,228)
200 Employee benefits	-	122	(122)
300 Purchased services	16,500	15,157	1,343
400 Supplies and materials	6,000	3,706	2,294
270 Support services - pupil activity			
271 Pupil service activities			
100 Salaries	-	2,700	(2,700)
300 Purchased services	35,000	29,372	5,628
400 Supplies and materials	25,000	22,325	2,675
660 Pupil services	2,000	2,537	(537)
Total support services	<u>2,701,681</u>	<u>11,705,856</u>	<u>(9,004,175)</u>
610 Redemption of principal	-	16,547,861	(16,547,861)
620 Interest	-	445,463	(445,463)
Total debt services	<u>-</u>	<u>16,993,324</u>	<u>(16,993,324)</u>
Total expenditures	<u>6,251,190</u>	<u>32,190,901</u>	<u>(25,939,711)</u>
OTHER FINANCING SOURCES (USES)			
5400 Proceeds from long-term notes	-	25,888,449	25,888,449
5500 Capital lease	-	168,690	168,690
Interfund transfers from (to) other funds			
5230 Transfer from Special Revenue EIA Fund	3,378,784	3,529,278	150,494
5220 Transfer from Special Revenue Fund (excl indirect cost)	-	765	765
Total other financing sources (uses)	<u>3,378,784</u>	<u>29,587,182</u>	<u>26,208,398</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ 342,083</u>	961,619	<u>\$ 619,536</u>
FUND BALANCE, July 1, 2019		<u>3,029,867</u>	
FUND BALANCE, June 30, 2020		<u>\$ 3,991,486</u>	

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2020

	<u>Title I (201/202)</u>	<u>IDEA (203/204)</u>	<u>Preschool Handicapped (205/206)</u>	<u>CATE (207/208)</u>	<u>Adult Education (243)</u>	<u>Other Designated Restricted State Grants* (900s)</u>	<u>Other Special Revenue Programs* (200s/800s)</u>	<u>Total</u>
REVENUES								
1000 Revenue from local sources								
1600 Food services								
1610 Lunch sales to pupils	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,793	\$ 28,793
Total local sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,793</u>	<u>28,793</u>
3000 Revenue from state sources								
3100 Restricted state funding								
3120 General education								
3127 Student health and fitness-PE teachers	-	-	-	-	-	5,536	-	5,536
3130 Special programs								
3135 Reading coaches	-	-	-	-	-	51,468	-	51,468
3136 Student health and fitness - nurses	-	-	-	-	-	29,236	-	29,236
3187 Teacher supplies (no carryover prov)	-	-	-	-	-	14,575	-	14,575
3670 School safety-facil/infrastr upgrades	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,708</u>	<u>-</u>	<u>7,708</u>
Total state sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,523</u>	<u>-</u>	<u>108,523</u>

* See Schedule 3 for a listing of LEA subfund codes for each program

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2020

	<u>Title I</u> <u>(201/202)</u>	<u>IDEA</u> <u>(203/204)</u>	<u>Preschool</u> <u>Handicapped</u> <u>(205/206)</u>	<u>CATE</u> <u>(207/208)</u>	<u>Adult</u> <u>Education</u> <u>(243)</u>	<u>Other</u> <u>Designated</u> <u>Restricted</u> <u>State Grants*</u> <u>(900s)</u>	<u>Other</u> <u>Special</u> <u>Revenue</u> <u>Programs*</u> <u>(200s/800s)</u>	<u>Total</u>
4000 Revenue from federal sources								
4300 Elementary and Secondary Educ Act of 1965 (ESEA)								
4341 Lang instr ltd english prof/immig, Title III	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,284	\$ -	\$ 1,284
4351 Supporting effective instruction	-	-	-	-	-	-	3,116	3,116
4500 Programs for children with disabilities								
4510 Individ with Disabilities Educ Act (IDEA)	71,415	-	-	-	-	-	2,918	74,333
4520 Presch grants children w/disabil (IDEA)	-	1,271	-	-	-	-	-	1,271
Total federal sources	<u>71,415</u>	<u>1,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,284</u>	<u>6,034</u>	<u>80,004</u>
Total revenues all sources	<u>71,415</u>	<u>1,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,807</u>	<u>34,827</u>	<u>217,320</u>

EXPENDITURES

100 Instruction								
110 General instruction								
111 Kindergarten programs								
400 Supplies and materials	-	-	-	-	-	1,100	-	1,100
112 Primary programs								
400 Supplies and materials	-	-	-	-	-	2,750	-	2,750
113 Elementary programs								
100 Salaries	-	-	-	-	-	5,536	-	5,536
400 Supplies and materials	-	-	-	-	-	6,219	-	6,219

* See Schedule 3 for a listing of LEA subfund codes for each program

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2020

	<u>Title I</u> <u>(201/202)</u>	<u>IDEA</u> <u>(203/204)</u>	<u>Preschool</u> <u>Handicapped</u> <u>(205/206)</u>	<u>CATE</u> <u>(207/208)</u>	<u>Adult</u> <u>Education</u> <u>(243)</u>	<u>Other</u> <u>Designated</u> <u>Restricted</u> <u>State Grants</u> <u>(900s)</u>	<u>Other</u> <u>Special</u> <u>Revenue</u> <u>Programs</u> <u>(200s/800s)</u>	<u>Total</u>
114 High school programs								
400 Supplies and materials	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,575	\$ -	\$ 3,575
120 Exceptional programs								
127 Learning disabilities								
100 Salaries	71,415	1,271	-	-	-	-	2,918	75,604
400 Supplies and materials	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,375</u>	<u>-</u>	<u>1,375</u>
Total instruction	<u>71,415</u>	<u>1,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,555</u>	<u>2,918</u>	<u>96,159</u>
200 Support services								
210 Pupil services								
213 Health services								
100 Salaries	-	-	-	-	-	29,236	-	29,236
220 Instructional staff services								
221 Improvement of instr curriculum develop								
100 Salaries	-	-	-	-	-	51,468	-	51,468
224 Improvement of instruction inserv and staff training								
300 Purchased services	-	-	-	-	-	840	2,823	3,663
230 General administrative services								
231 Board of education								
300 Purchased services	-	-	-	-	-	-	255	255
233 School administration								
300 Purchased services	-	-	-	-	-	-	293	293

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2020

	<u>Title I</u> <u>(201/202)</u>	<u>IDEA</u> <u>(203/204)</u>	<u>Preschool</u> <u>Handicapped</u> <u>(205/206)</u>	<u>CATE</u> <u>(207/208)</u>	<u>Adult</u> <u>Education</u> <u>(243)</u>	<u>Other</u> <u>Designated</u> <u>Restricted</u> <u>State Grants</u> <u>(900s)</u>	<u>Other</u> <u>Special</u> <u>Revenue</u> <u>Programs</u> <u>(200s/800s)</u>	<u>Total</u>
250 Finance and operations services								
256 Food services								
400 Supplies and materials	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,773	\$ 27,773
258 Security								
300 Purchased services	-	-	-	-	-	7,708	-	7,708
Total support services	-	-	-	-	-	89,252	31,144	120,396
Total expenditures	71,415	1,271	-	-	-	109,807	34,062	216,555
OTHER FINANCING SOURCES (USES)								
Interfund transfers from (to) other funds:								
420-710 Transfer to Gen Fund (excludes IC)	-	-	-	-	-	-	(765)	(765)
Total other financing sources (uses)	-	-	-	-	-	-	(765)	(765)
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FUND BALANCE, July 1, 2019	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FUND BALANCE, June 30, 2020	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Special Revenue Fund - Schedule of Program Classifications
For Year Ended June 30, 2020

<u>LEA Subfund Code</u>	<u>Program</u>	<u>Revenue</u>	<u>Revenue Code</u>
<u>OTHER RESTRICTED STATE GRANTS</u>			
937	Student health and fitness-PE teachers	\$ 5,536	3127
935	Reading coaches	51,468	3135
936	Student health and fitness - nurses	29,236	3136
917	Teacher supplies (no carryover prov)	14,575	3187
970	School safety-facil/infrastr upgrades	<u>7,708</u>	3670
		<u>\$ 108,523</u>	
<u>OTHER SPECIAL REVENUE PROGRAMS</u>			
802	Lunch sales to pupils	\$ 28,793	1610
267	Supporting effective instruction	3,116	4351
205	Individ with Disabilities Educ Act (IDEA) - ESY	<u>2,918</u>	4510
		<u>\$ 34,827</u>	

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Special Revenue Fund
Summary Schedule for Designated State Restricted Grants
For Year Ended June 30, 2020

<u>Subfund</u>	<u>Revenue Code</u>	<u>Programs</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Special Revenue</u>		<u>Special Revenue Fund Unearned</u>
					<u>Interfund Transfers In/(Out)</u>	<u>Other Fund Transfers In/(Out)</u>	
937	3127	Student health and fitness-PE teachers	\$ 5,536	\$ 5,536	\$ -	\$ -	\$ -
935	3135	Reading coaches	51,468	51,468	-	-	-
936	3136	Student health and fitness - nurses	29,236	29,236	-	-	-
917	3187	Teacher supplies (no carryover prov)	14,575	14,575	-	-	-
970	3670	School safety-facil/infrastr upgrades	7,708	7,708	-	-	-
			<u>\$ 108,523</u>	<u>\$ 108,523</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs
For Fiscal Year Ended June 30, 2020

REVENUES

3000 Revenue from state sources		
3500 Education improvement act		
3502 ADEPT	\$	600
3519 Grade 10 assessments		425
3526 Refurbishment of science kits		7,058
3532 National Board sal supplemnt (no carryover)		6,473
3538 Students at risk of school failure		52,029
3550 Teacher salary increase (no carryover prov)		153,098
3555 Teacher salary fringe (no carryover prov)		39,058
3557 Summer reading program		10,356
3583 Charter school payments		3,529,278
3595 EEDA - supplies and materials		974
3597 Aid to districts		<u>22,105</u>
Total state sources		<u>3,821,454</u>
Total revenues all sources		<u>3,821,454</u>

EXPENDITURES

100 Instruction		
110 General instruction		
111 Kindergarten programs		
100 Salaries		52,029
200 Employee benefits		39,058
112 Primary programs		
100 Salaries		162,821
113 Elementary programs		
100 Salaries		600
400 Supplies and materials		36,269
190 Instructional pupil activity		
300 Purchased services		<u>425</u>
Total instruction		<u>291,202</u>

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs
For Fiscal Year Ended June 30, 2020

200 Support services	
210 Pupil services	
212 Guidance services	
400 Supplies and materials	\$ <u>974</u>
Total support services	<u>974</u>
Total expenditures	<u>292,176</u>
 OTHER FINANCING SOURCES (USES)	
Interfund transfers, from (to) other funds	
420-710 Transfer to General Fund (excludes indirect costs)	<u>(3,529,278)</u>
Total other financing sources (uses)	<u>(3,529,278)</u>
 EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	 <u>-0-</u>
 FUND BALANCE, July 1, 2019	 <u>-0-</u>
 FUND BALANCE, June 30, 2020	 <u>\$ -0-</u>

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Education Improvement Act
Summary Schedule by Program
For Year Ended June 30, 2020

PROGRAM	<u>Revenues</u>	<u>Expenditures</u>	<u>EIA Interfund Transfers In(Out)</u>	<u>Other Fund Transfers In(Out)</u>	<u>EIA Fund Unearned</u>
3500 Education Improvement Act					
3502 ADEPT	\$ 600	\$ 600	\$ -	\$ -	\$ -
3519 Grade 10 assessments	425	425	-	-	103
3526 Refurbishment of science kits	7,058	7,058	-	-	-
3532 National Board sal supplemnt (no carryover)	6,473	6,473	-	-	-
3538 Students at risk of school failure	52,029	52,029	-	-	-
3550 Teacher salary increase (no carryover prov)	153,098	153,098	-	-	-
3555 Teacher salary fringe (no carryover prov)	39,058	39,058	-	-	-
3557 Summer reading program	10,356	10,356	-	-	-
3583 Charter school payments	3,529,278	-	-	(3,529,278)	-
3595 EEDA - supplies and materials	974	974	-	-	148
3597 Aid to districts	22,105	22,105	-	-	-
TOTALS	<u>\$ 3,821,454</u>	<u>\$ 292,176</u>	<u>\$ -0-</u>	<u>\$ (3,529,278)</u>	<u>\$ 251</u>

**BRIDGES PREPARATORY SCHOOL
 BEAUFORT, SOUTH CAROLINA
 Schedule of Due to State Department of Education/Federal Government
 June 30, 2020**

<u>Program</u>	<u>Project Number</u>	<u>Revenue & Subfund Codes</u>	<u>Description</u>	<u>Amount Due to State Department of Education/ Federal Government</u>	<u>Status of Payments</u>
IDEA	212	4510	Unspent allocation	\$ <u><u>269.48</u></u>	Unpaid as of September 30, 2020

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2020**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant weakness(es) identified that are not considered to be material weakness(es)? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant weakness(es) identified that are not considered to be material weakness(es)? _____ Yes X No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Numbers
10.766

Name of Federal Program or Cluster
Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Schedule of Findings and Questioned Costs
For Fiscal Year Ended June 30, 2020**

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Schedule of Prior Year Findings
For Fiscal Year Ended June 30, 2020**

Section I - Financial Statement Findings

None.

**BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA**
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Total Expenditures
<u>U.S. Department of Education</u>				
203	IDEA	84.027		\$ 71,415
205	Handicapped preschool grants	84.173		1,271
212	IDEA extended school year	84.027		2,918
	Total special education cluster			<u>75,604</u>
264	Language instr for limited english proficient/immigrant students, Title III	84.365		1,284
267	Supporting effective instruction	84.367A		<u>3,116</u>
	Total U.S. Department of Education			<u>80,004</u>
<u>U.S. Department of Agriculture</u>				
	Direct Program:			
	Community Facilities Loans and Grants	10.766	N/A	3,969,102 *
	Community Facilities Loans and Grants	10.766	2019-01	9,999,990
	Amount of borrowings used to pay off loan included on prior year Schedule of Federal Expenditures			<u>(9,999,990)</u>
				<u>-</u>
	Community Facilities Loans and Grants	10.766	2019-02	9,122,557
	Amount of borrowings used to pay off loan included on prior year Schedule of Federal Expenditures			<u>(2,555,635)</u>
				<u>6,566,922</u>
				<u>10,536,024</u>
				Beginning of Year Outstanding <u>Loan Balances</u>
	Community Facilities Loans and Grants	10.766	N/A	<u>12,555,625 *</u>
	Total U.S. Department of Agriculture			<u>23,091,649</u>
	Total Federal Assistance Expended			<u>\$ 23,171,653</u>

* Represents interim financing utilized during construction period before closing on USDA loans.

See accompanying notes to the Schedule of Expenditures of Federal Awards.

BRIDGES PREPARATORY SCHOOL
BEAUFORT, SOUTH CAROLINA
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("the SEFA") includes the federal grant activity of Bridges Preparatory School under programs of the federal government for the year ended June 30, 2020. The information in the SEFA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations* ("CFR") *Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the SEFA presents only a selected portion of the operations of Bridges Preparatory School, it is not intended to and does not present the financial position, change in net assets, or cash flows of Bridges Preparatory School.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Outstanding Loans

Federal loan outstanding at June 30, 2020:

Community Facilities Loans and Grants (CFDA 10.766) :

	Beginning Balance	Additions	Reductions	Ending Balance
Ameris Bank (Interim financing)	\$12,555,625	\$ 3,969,102	\$(16,524,727)	\$ -
USDA Loan 2019-01	-	9,999,990	-	9,999,990
USDA Loan 2019-02	-	9,122,557	-	9,122,557
Totals	<u>\$12,555,625</u>	<u>\$23,091,649</u>	<u>\$(16,524,727)</u>	<u>\$ 19,122,547</u>

Note: According to the Compliance Supplement issued by the Office of Management and Budget, interim financing from a commercial source used to fund construction costs that will be repaid by a Community Facilities Loan are considered to be Federal Awards expended. Such awards must be reported on the SEFA.

Note 4 - Reconciliation of SEFA to the Financial Statements

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to revenues and expenditures received or made subsequent to the filing of federal financial reports.

Note 5 - Indirect Cost Rate

The School has elected not to use the 10% de minimus cost rate allowed under the Uniform Guidance.

**REPORT ON COMPLIANCE AND OTHER MATTERS
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Bridges Preparatory School
Beaufort, South Carolina

We have audited the financial statements of Bridges Preparatory School as of and for the year ended June 30, 2020, and have issued our report thereon dated September 30, 2020. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

A deficiency in 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 combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the 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 the 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 School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Smith and Company CPAs PA

Greenville, South Carolina
September 30, 2020

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Directors
Bridges Preparatory School
Beaufort, South Carolina

We have audited the compliance of Bridges Preparatory School with the types of compliance requirements described in the United States Office of Management and Budget Compliance Supplement (“OMB”) that could have a direct and material effect on each major federal program for the year ended June 30, 2020. The School’s major federal programs are identified in the accompanying Schedule of Expenditures of Federal Awards.

Management’s Responsibility

Compliance with the requirements of laws, regulations, contracts and grants that could have a direct and material effect on its major federal program is the responsibility of the School’s management.

Auditor’s Responsibility

Our responsibility is to express an opinion on the School’s compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School’s compliance with those requirements.

Opinion

In our opinion, Bridges Preparatory School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with the Uniform Guidance.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in an entity’s internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, by the School’s internal controls on a timely basis. A significant deficiency in internal control over compliance 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. We noted no matters involving the internal control over compliance that we consider material weaknesses.

Our consideration of the internal control over compliance 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 over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

Martin Smith and Company CPAs PA

Greenville, South Carolina
September 30, 2020