

**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Report on Financial Statements**  
**Year Ended June 30, 2018**

**Bridges Preparatory School  
Beaufort, South Carolina  
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Year Ended June 30, 2018**

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## Independent Auditor's Report

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 and each major fund of Bridges Preparatory School, (the School), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bridges Preparatory School as of June 30, 2018, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Adjustment**

As discussed in Note I.D. to the financial statements, the School recorded a prior period adjustment related to construction invoices that were not accrued in prior years. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 24 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an 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.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 the basic 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Charleston, South Carolina  
October 26, 2018

**Required Supplementary Information (Unaudited)**

**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Required Supplementary Information (Unaudited)**  
**Management’s Discussion and Analysis**  
**Year Ended June 30, 2018**

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As management of Bridges Preparatory School (the School), we offer readers of the School’s audited financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School’s financial statements, which follow this narrative.

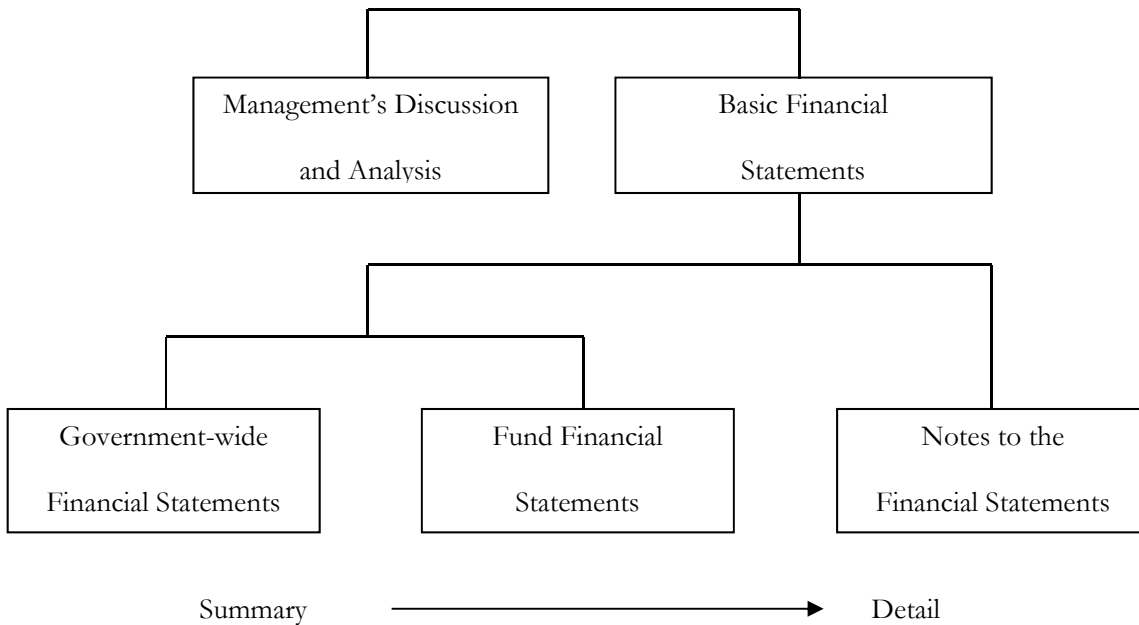
**Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the fiscal year by \$3,546,759 (*net position*).
- The School’s net position increased by \$845,610.
- As of the close of the current fiscal year, the School’s governmental funds reported combined ending fund balances of \$1,756,991.
- The 2017-2018 135-day headcount is 657.
- The School had long-term debt of \$1,449,537.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School’s basic financial statements. The School’s basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of the School.

**Figure 1 - Required Components of Annual Financial Report**



**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Required Supplementary Information (Unaudited)**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

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### **Basic Financial Statements**

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial standing.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the School's government. These statements are more detailed than the government-wide financial statements. The School's Fund Financial Statements consist of governmental funds.

Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. "Notes"). The Notes offer a detailed explanation of the data contained in those statements. Next, **Supplemental Information** is provided to show details about the School's funds. Budgetary information for the School also can be found in this section of the statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status, as a whole.

The two government-wide statements report the School's net position and how it has changed. Net position equals the difference between the School's total assets and total liabilities. Measuring net position is one way to gauge the School's financial condition.

In the governmental-wide financial statements, the School's activities are considered governmental type activities. Governmental activities account for the School's basic services such as education and administration. These functions are funded almost entirely through state, county, and federal educational funds.

### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related statutory requirements. All of the funds of the School are governmental funds.

**Governmental Funds** – Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using the modified accrual accounting method, which provides a short-term spending focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation, which is an integral part of the fund financial statements.



**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Required Supplementary Information (Unaudited)**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2018**

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The School has elected to adopt an annual budget. The budget incorporates input from the faculty, management, and the Board of Directors of the School and specifies which activities will be pursued and which services the School will provide during the year. It also authorizes the School to obtain funds from identified sources to finance current period activities. The budgetary statement demonstrates how well the School has complied with the budget and whether or not the School has succeeded in providing the services as originally planned.

**Notes to Financial Statements** – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 14 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a school's financial condition. The assets of the School exceeded liabilities by \$3,546,759 as of June 30, 2018. \$1,796,313 reflects the School's net investment in capital assets (e.g. furniture and fixtures, equipment, land, buildings, vehicles, and leasehold improvements), less any related debt still outstanding that was issued to acquire those items. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

**Figure 2 – Bridges Preparatory School's Net Position**

	2018	2017
Current assets	\$ 2,532,213	\$ 2,208,642
Capital assets, net of accumulated depreciation	3,245,850	1,724,953
Total assets	5,778,063	3,933,595
Current liabilities	823,185	1,214,239
Long-term liabilities	1,408,119	18,207
Total liabilities	2,231,304	1,232,446
Net investment in capital assets	1,796,313	696,848
Restricted	25,000	-
Unrestricted	1,725,446	2,004,301
Total net position	\$ 3,546,759	\$ 2,701,149

Aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.

**Bridges Preparatory School  
Beaufort, South Carolina  
Required Supplementary Information (Unaudited)  
Management's Discussion and Analysis  
Year Ended June 30, 2018**

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**Figure 3 – Bridges Preparatory School's Changes in Net Position**

	2018	2017
Donations and other revenues	\$ 167,649	\$ 142,903
Charges for services	22,917	24,651
County, state, and federal funds	5,792,575	5,051,714
Total revenues	5,983,141	5,219,268
Instruction	3,063,292	2,402,271
Support services	1,998,419	1,696,193
Interest and other charges	75,820	45,870
Total expenses	5,137,531	4,144,334
Increase in net position	845,610	1,074,934
Net position, July 1	2,701,149	1,626,215
Net position, June 30	\$ 3,546,759	\$ 2,701,149

**Governmental activities** - Governmental activities increased the School's net position by \$845,610.

**Financial Analysis of the School's Funds**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing the School's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,643,812.

**Capital Asset and Debt Administration**

**Capital Assets** - The School's investment in capital assets for its governmental activities as of June 30, 2018, totals \$1,796,313 (net of accumulated depreciation and related debt). Capital assets include furniture, fixtures, equipment, buildings, vehicles, and leasehold improvements.

**Bridges Preparatory School  
Beaufort, South Carolina  
Required Supplementary Information (Unaudited)  
Management's Discussion and Analysis  
Year Ended June 30, 2018**

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**Figure 4 – Bridges Preparatory School's Capital Assets, net of depreciation**

	2018	2017
Land	\$ 1,137,225	\$ 528,000
Construction in progress	1,115,301	136,846
Buildings	605,279	628,770
Building/leasehold improvements	339,442	369,623
Vehicles	26,790	35,250
Furniture, fixtures, and equipment	21,813	26,464
Total	\$ 3,245,850	\$ 1,724,953

Additional information about the School's capital assets can be found in Note II. of the Basic Financial Statements.

**General Fund Budgetary Highlights**

The positive variance in revenue sources of \$473,632 (including transfer from EIA) is due to the School receiving more income than expected from local sources and more students qualified for add on weightings than what was budgeted; therefore, there was increased EFA, Public Charter School funding, and fringe benefits employer contributions.

The negative variance in expenditures of \$2,300,667 is primarily due to the School purchasing land and starting construction on permanent facilities. The School also refinanced into a larger loan resulting in an unbudgeted debt payoff of approximately \$900,000.

**Economic Factors**

The following key economic indicators reflect the growth and prosperity 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 continues to seek both federal and private grant funds to supplement its EFA funding.

**Requests for Information**

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director, Bridges Preparatory School, 2015 Boundary Street, Suite 102, Beaufort, SC, 29902, telephone number (843) 982-7737.

## **Basic Financial Statements**

## **Government-Wide Financial Statements**

**Bridges Preparatory School  
Beaufort, South Carolina  
Statement of Net Position  
June 30, 2018**

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	<b>Primary Government Governmental Activities</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 2,399,936
Due From Other Governmental Units	67,061
Other Receivables	25,000
Prepaid Items	31,107
Deposits	9,109
	<b>2,532,213</b>
<b>Non-Current Assets</b>	
Capital Assets, Non-Depreciable	2,252,526
Capital Assets, Net of Depreciation	993,324
	<b>3,245,850</b>
	<b>5,778,063</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Liabilities	735,432
Unearned Revenue	7,038
Due to Other Governmental Units	1,082
Other Current Liability	31,670
	<b>775,222</b>
<b>Non-Current Liabilities</b>	
Compensated Absences	6,545
Due Within One Year	47,963
Due In More Than One Year	1,401,574
	<b>1,456,082</b>
	<b>2,231,304</b>
<b>Net Position</b>	
Net Investment in Capital Assets	1,796,313
Restricted for:	
Media Center	25,000
Unrestricted	1,725,446
	<b>\$ 3,546,759</b>

See accompanying notes to financial statements and independent auditor's report.

**Bridges Preparatory School  
Beaufort, South Carolina  
Statement of Activities  
Year Ended June 30, 2018**

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Total
<b>Primary Government</b>				
Governmental Activities:				
Instruction	\$ 3,063,292	\$ 22,917	\$ -	\$ (3,040,375)
Support Services	1,998,419	-	-	(1,998,419)
Intergovernmental	-	-	5,792,575	5,792,575
Interest and Other Charges	75,820	-	-	(75,820)
<b>Total Governmental Activities</b>	<u>5,137,531</u>	<u>22,917</u>	<u>5,792,575</u>	<u>677,961</u>
<b>Total Primary Government</b>	<u>\$ 5,137,531</u>	<u>\$ 22,917</u>	<u>\$ 5,792,575</u>	<u>677,961</u>
General Revenues:				
Miscellaneous				<u>167,649</u>
Total General Revenues				<u>167,649</u>
<b>Change in Net Position</b>				845,610
<b>Net Position - July 1, 2017</b>				<u>2,701,149</u>
<b>Net Position - June 30, 2018</b>				<u>\$ 3,546,759</u>

## **Fund Financial Statements**



**Bridges Preparatory School  
Beaufort, South Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Education Improve- ment Act</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,399,936	\$ -	\$ -	\$ 2,399,936
Due from Other Funds	67,061	3,799	3,239	74,099
Due from Other Governmental Units	-	49,257	17,804	67,061
Other Receivables	25,000	-	-	25,000
Prepaid Items	31,107	-	-	31,107
Deposits	9,109	-	-	9,109
<b>Total Assets</b>	<u>\$ 2,532,213</u>	<u>\$ 53,056</u>	<u>\$ 21,043</u>	<u>\$ 2,606,312</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 735,432	\$ -	\$ -	\$ 735,432
Due to Other Funds	7,038	49,257	17,804	74,099
Due to Other Governmental Units	1,082	-	-	1,082
Other Current Liability	31,670	-	-	31,670
Unearned Revenue	-	3,799	3,239	7,038
<b>Total Liabilities</b>	<u>775,222</u>	<u>53,056</u>	<u>21,043</u>	<u>849,321</u>
<b>Fund Balances</b>				
Nonspendable				
Prepays	31,107	-	-	31,107
Deposits	9,109	-	-	9,109
Restricted				
Media Center	25,000	-	-	25,000
Assigned				
Debt Service	47,963	-	-	47,963
Unassigned	1,643,812	-	-	1,643,812
<b>Total Fund Balances</b>	<u>1,756,991</u>	<u>-</u>	<u>-</u>	<u>1,756,991</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,532,213</u>	<u>\$ 53,056</u>	<u>\$ 21,043</u>	<u>\$ 2,606,312</u>

**Bridges Preparatory School  
Beaufort, South Carolina  
Reconciliation of the Balance Sheet of the  
Governmental Funds to the Statement of Net Position  
June 30, 2018**

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**Total Fund Balances - Governmental Funds** \$ 1,756,991

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.

Cost of the assets	3,481,875	
Less: accumulated depreciation	(236,025)	3,245,850

Certain liabilities such as notes payable and capital lease obligations are not due and payable in the current period, and therefore, are not reported in the funds.

Compensated absences	(6,545)	
Notes payable	(1,449,537)	

**Total Net Position - Governmental Activities** \$ 3,546,759

**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Education Improve- ment Act</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Local Revenue	\$ 167,649	\$ 22,917	\$ -	\$ 190,566
Total Local	167,649	22,917	-	190,566
Intergovernmental Revenue	2,521,727	179,877	3,090,971	5,792,575
<b>Total Revenues</b>	<u>2,689,376</u>	<u>202,794</u>	<u>3,090,971</u>	<u>5,983,141</u>
<b>Expenditures</b>				
Current				
Instruction	2,732,545	87,611	238,190	3,058,346
Support Services	1,797,996	115,183	16,858	1,930,037
Debt Service				
Principal	923,722	-	-	923,722
Interest and Other Charges	75,820	-	-	75,820
Capital Outlay	1,587,680	-	-	1,587,680
<b>Total Expenditures</b>	<u>7,117,763</u>	<u>202,794</u>	<u>255,048</u>	<u>7,575,605</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,428,387)</u>	<u>-</u>	<u>2,835,923</u>	<u>(1,592,464)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Long-Term Notes	1,482,000	-	-	1,482,000
Transfers In	2,835,923	-	-	2,835,923
Transfers Out	-	-	(2,835,923)	(2,835,923)
Total Other Financing Sources (Uses)	<u>4,317,923</u>	<u>-</u>	<u>(2,835,923)</u>	<u>1,482,000</u>
<b>Deficiency of Revenues over Expenditures</b>	<u>(110,464)</u>	<u>-</u>	<u>-</u>	<u>(110,464)</u>
<b>Fund Balance - July 1, 2017, Restated</b>	<u>1,867,455</u>	<u>-</u>	<u>-</u>	<u>1,867,455</u>
<b>Fund Balance - June 30, 2018</b>	<u>\$ 1,756,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,756,991</u>

**Bridges Preparatory School  
Beaufort, South Carolina  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of the  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2018**

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**Net Change in Fund Balances - Governmental Funds** \$ (110,464)

Amounts reported for the governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capitalized capital outlays in the current period	1,587,680	
Depreciation expense in the current period	<u>(66,783)</u>	1,520,897

Some expenses 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.

Compensated absences	(6,545)
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Proceeds from debt are reflected in the Statement of Revenues, Expenditures and Change in Fund Balance as a source of financing but not in the Statement of Activities.

(1,482,000)

Principal payments on long term debt are reflected in the Statement of Revenues, Expenditures and Change in Fund Balance, but not in the Statement of Activities.

923,722

**Change in Net Position - Governmental Activities**

\$ 845,610

**Bridges Preparatory School  
Beaufort, South Carolina  
Notes to Financial Statements**

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**I. Summary of Significant Accounting Policies**

Bridges Preparatory School (the School) was created in April 2012 through a ten year charter granted by the South Carolina Public Charter School District (the District). The School is a component unit of the District. The School teaches in the traditional style with one grade level learning in one classroom area. In fiscal year 2018, the School consisted of thirty primary classrooms with kindergarten through tenth grade students.

**A. Reporting Entity**

The Board of Directors (the Board) of the School determines the operating policies of the School and such policies are implemented by the School's staff. As of June 30, 2018, the School's volunteer Board of Directors is as follows:

Board Members

Delores Matthews, Chair	David Gault
Marty Miley, Vice-Chair	Kelly McCombs
James Corbin, Treasurer	Brooke Pacheco
Peggy Feuerbacher, Secretary	Calvin White
Tom Angelo	

These financial statements present the School which is a component unit of the District. The School is a legally separate entity that is in substance part of the District's operation.

**B. Basis of Presentation**

*Government-wide Financial Statements:*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the School. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School does not have any business-type activities. Intergovernmental revenue included on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds includes state sourced revenue and any federal revenue that flows to the School from the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements:*

The School uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School functions and activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Notes to Financial Statements**

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Major Funds

1. General Fund - The General Operating Fund of the School is used to account for all financial resources except those required to be accounted for in another fund. All revenue, charges for services, Education Finance Act revenue, and miscellaneous revenue are recorded in this fund except amounts which are specifically collected in a fiduciary capacity. Operational expenditures for general instruction, support services, general administration, and other departments of the School are paid through the General Fund.
2. Special Revenue Fund - Special Revenue Funds account for the operations of federal and state projects, which are required by the South Carolina State Department of Education to be accounted for in separate funds.
3. Education Improvement Act Fund - This fund is used to account for the School's expenditures as a result of receiving state funds used in a comprehensive education reform plan which are required to be accounted for in separate programs and strategies.

Non-major Funds

The School did not have any non-major funds as of June 30, 2018.

**C. Measurement Focus and Basis of Accounting**

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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions are transactions in which the School receives value without directly giving equal value in return, including grants, entitlements and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Amounts reported as program revenues include operating grants and contributions.

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

The effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Bridges Preparatory School  
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Notes to Financial Statements**

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**D. Assets, Liabilities, and Equity**

Deposits and Investments

The School's cash and cash equivalents are defined as short-term, highly liquid investments with an original maturity of three months or less, that are both readily convertible to known amounts of cash, and so near their maturity that they present no significant risk of changes in value because of changes in interest rates.

State statutes authorized the School to invest in the following:

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. Banks and savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
4. Certificates of deposit and repurchase agreements collateralized 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 and repurchase agreements so secured, including interest; and
5. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

The School has not formally adopted a deposit and investment policy. The School has no investments as of June 30, 2018.

Receivables/Payables

During the course of operations, numerous transactions occur between the School and vendors and revenue sources or individual funds for goods provided or services rendered. On fund financial statements, these receivables and payables are classified as other receivables, accounts payable or "due from other funds" or "due to other funds" on the Balance Sheet. The transactions between funds are eliminated in the governmental activities columns of the Statement of Net Assets.

Due from Other Governmental Units

Amounts due from other governmental units represents amounts owed to the School from the District for grant/contractual funding related to the school year ending June 30, 2018 that has been earned but not yet received as of June 30, 2018. The total amount owed to the School at June 30, 2018 was \$67,061.

Capital Assets

Capital assets, which include land, buildings, leasehold improvements, classroom equipment, and office equipment, are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the government 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Bridges Preparatory School  
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Property and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Building Improvements	15 to 39
Leasehold Improvements	Life of the Lease
Vehicles	5 to 7
Furniture, Fixtures, and Equipment	3 to 5

Unearned Revenue

Unearned revenue arises when resources have been received but not yet earned. Federal, state, local and private program grant revenues 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 at June 30, 2018 was \$7,038.

Construction Retainage

The School includes in current liabilities retainage amounts payable under construction contracts. The retainage payable at June 30, 2018 was \$31,670.

Compensated Absences

The School's general leave policy allows 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 or more years of service	\$25	191 to 209	33
		210 to 219	36
		220 to 240	40

Prior Period Adjustment

A prior period adjustment has been recorded in the amount of \$136,846 to recognize additional construction service invoices incurred prior to this fiscal year. The invoices were held by the vendor until the USDA note payable moved forward in the current fiscal year. The result of this adjustment decreased unassigned (unreserved) fund balance at July 1, 2017 by \$136,846 on the governmental fund financial statements and the adjustment had no effect on net position.



**Bridges Preparatory School  
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Reservations and Designations of Fund Balances

*Government-wide Financial Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

*Fund Financial Statements*

The School’s fund balance amounts are properly reported within one of the following fund balance categories:

- a. *Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints (such as inventories, prepaids, long-term loans and notes receivable and property held for resale).
- b. *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c. *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- d. *Assigned* – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Director.
- e. *Unassigned* – is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

*Order of Fund Balance Spending Policy*

The School’s policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

The School does not currently have policies in place for committed and assigned fund balances.

**Bridges Preparatory School  
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First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are identified (not including non-spendable amounts). Any remaining fund balance amounts are evaluated for committed or assigned purposes and the remaining are classified as unassigned fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

**E. Accounting Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires the School's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**II. Detailed Notes on All Funds**

**A. Deposits and Investments**

Deposits

*Custodial credit risk for deposits.* Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits might not be recovered. The School does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2018, none of the School's bank balance is exposed to custodial credit risk.

**B. Due from Other Governmental Units**

Intergovernmental receivables at June 30, 2018 consisted of intergovernmental grants and reimbursements. All governmental receivables are considered collectible in full.

Due from Federal Government	
Improving Teacher Quality	\$ 12,110
IDEA	37,147
	<hr/>
Total due from federal government	49,257
	<hr/>
Due from State Government	
Education Improvement Act	17,804
	<hr/>
Total due from state government	17,804
	<hr/>
Total Due from Other Governmental Units	\$ 67,061
	<hr/> <hr/>

**Bridges Preparatory School  
Beaufort, South Carolina  
Notes to Financial Statements**

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**C. 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. During the year, the School transferred \$2,835,923 from the special revenue EIA fund to the the general fund to align funding within the fund from which the majority of the School's expenditures are paid.

	Transfers In	Transfers Out
General Fund	\$ 2,835,923	\$ -
EIA Fund	-	(2,835,923)
	\$ 2,835,923	\$ (2,835,923)

**D. Leases**

On October 1, 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, 2018 was \$4,464.

On March 30, 2015, the School entered into an operating lease for a modular unit. The lease requires 36 payments of \$4,116. The lease was subsequently renewed on February 22, 2018 for the lease term from March 30, 2018 through June 29, 2019. Rent expense under this lease for the year ended June 30, 2018 was \$49,888.

On July 17, 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, 2018 was \$1,380.

In July 2015, the School entered into a two year operating lease for use of commercial space. The lease requires payments of \$4,000 per month for the initial year beginning August 15, 2015 and increases at a rate of 3% per annum for each additional year. The School extended this lease for one additional year through August 15, 2018 at payments of \$6,176 a month. The School extended this lease for one additional year through August 15, 2019 at monthly payments of \$6,303. Rent expense under this lease for the year ended June 30, 2018 was \$74,112.

On July 13, 2017, the School entered into a one year operating lease for use of commercial space. The lease requires monthly payments of \$3,000 beginning August 1, 2017. The School is paying month to month beginning August 1, 2018. Rent expense under this lease for the year ended June 30, 2018, was \$36,000.

On July 17, 2016, the School entered into a two year operating lease for use of commercial space. The lease requires monthly payments of \$3,000 beginning July 1, 2016. The lease continued on a month to month basis beginning July 1, 2018. Rent expense under this lease for the year ended June 30, 2018 was \$36,000.

On July 1, 2017, the School entered into an operating lease for office equipment. The lease requires 60 payments of \$70.

**Bridges Preparatory School  
Beaufort, South Carolina  
Notes to Financial Statements**

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

2019	\$ 136,073
2020	12,987
2021	5,419
2022	1,300
2023	<u>210</u>
Total minimum payments	<u>\$ 155,989</u>

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2018, is as follows:

	<u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2018</u>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated					
Land	\$ 528,000	\$ 609,225	\$ -	\$ -	\$ 1,137,225
Construction in progress	<u>136,846</u>	<u>978,455</u>	<u>-</u>	<u>-</u>	<u>1,115,301</u>
Total capital assets, not being depreciated	<u>664,846</u>	<u>1,587,680</u>	<u>-</u>	<u>-</u>	<u>2,252,526</u>
Capital assets, being depreciated					
Buildings	682,118	-	-	-	682,118
Building/leasehold improvements	465,280	-	-	-	465,280
Vehicles	42,300	-	-	-	42,300
Furniture, fixtures, and equipment	<u>39,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,651</u>
Total capital assets, being depreciated	<u>1,229,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,229,349</u>
Total capital assets, cost	<u>1,894,195</u>	<u>1,587,680</u>	<u>-</u>	<u>-</u>	<u>3,481,875</u>
Less accumulated depreciation					
Buildings	53,348	23,491	-	-	76,839
Building/leasehold improvements	95,657	30,181	-	-	125,838
Vehicles	7,050	8,460	-	-	15,510
Furniture, fixtures, and equipment	<u>13,187</u>	<u>4,651</u>	<u>-</u>	<u>-</u>	<u>17,838</u>
Total accumulated depreciation	<u>169,242</u>	<u>66,783</u>	<u>-</u>	<u>-</u>	<u>236,025</u>
Total capital assets, being depreciated, net	<u>1,060,107</u>	<u>(66,783)</u>	<u>-</u>	<u>-</u>	<u>993,324</u>
Total governmental activities capital assets, net	<u>\$ 1,724,953</u>	<u>\$ 1,520,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,245,850</u>

**Bridges Preparatory School  
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Notes to Financial Statements**

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Depreciation expense is charged to functions of the School as follows:

Instruction	\$	2,286
Support services		64,497
Total depreciation	\$	66,783

**F. Long-term Debt**

On December 15, 2017, the School closed on a loan with a financial institution for a building. The loan is for \$1,482,000 with an interest rate of 4.65% and monthly payments of \$9,551 beginning January 15, 2018 with a maturity date of December 15, 2019. The loan is secured by the building.

The annual debt service requirements including the subsequent loan are as follows:

Year Ending June 30,	Principal	Interest	Totals
2019	\$ 47,963	\$ 66,645	\$ 114,608
2020	1,401,574	27,102	1,428,676
Total	\$ 1,449,537	\$ 93,747	\$ 1,543,284

**G. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Noncurrent liabilities	\$ 891,259	\$ 1,482,000	\$ (923,722)	\$ 1,449,537	\$ 47,963

**H. Commitments**

The School entered into an agreement for janitorial services commencing for the 2017-2018 fiscal year. The contract commitment is equal to \$110,000 annually and is payable in equal monthly installments. The contract may be terminated by the School with 60 days notice.

The School has started construction for permanent facilities and has obtained a conditional letter from USDA Rural Development for a community facilities loan not to exceed \$19,999,970 to build the new middle and high school. Once conditions are met and the loan closes it will be repayable over a period not to exceed 35 years from the date of the loan closing and expected monthly payments will be \$86,800. The loan will be collateralized by the land as well as USDA will have a security interest in the equipment and furnishings.

The School has entered into a contract for construction work in the amount of \$2,486,459. At June 30, 2018, \$2,192,909 of contract commitments had not yet been incurred.

**Bridges Preparatory School  
Beaufort, South Carolina  
Notes to Financial Statements**

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**III. Other Information**

**A. Related Parties**

The School is a component unit of the District. Annual funding allocated from the District to the School during the year ended June 30, 2018 totaled \$5,792,575. The District additionally provides services to the School at fair market value. The School paid the District \$322,432 for health insurance that was paid to South Carolina Public Employment Benefit Authority on the School's behalf and \$56,094 for a District fee.

**B. Retirement Plan**

Plan Description

The School maintains a 457 Deferred Compensation Plan and Trust for all full time employees with the State of South Carolina. Employees contribute through payroll deduction to the plan and the School will match up to five percent (5%) of gross wages of the employee's contributions. These provisions were established by the School's Board of Directors. The School's contributions to the plan for the year ended June 30, 2018 were \$56,135.

**C. Contingencies**

Grants

The School participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of program expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Litigation

The School may be party to various legal proceedings incidental to its operation. Certain claims, suits and complaints arising in the ordinary course of business occur from time to time. In the opinion of management, all such matters are adequately covered by insurance or if not so covered, are without merit, or involve such amounts as would not have a significant effect on the financial position of the School if disposed of unfavorably.

## **Required Supplementary Information**

## **General Fund**

To account for all financial resources except those required to be accounted for in another fund. All intergovernmental revenues and miscellaneous revenues are recorded in this fund. Operational expenditures for general education, support services and other departments of the School are paid through the General Fund.

The following Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund has been prepared in the format mandated by the South Carolina State Department of Education. The account numbers shown on the statement are also mandated by the South Carolina Department of Education.



**Bridges Preparatory School  
Beaufort, South Carolina  
Budgetary Comparison Schedule – General Fund  
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
<b>1000 Revenue from Local Sources</b>				
1500 Earnings on Investments				
1510 Interest on Investments	\$ -	\$ -	\$ 3,858	\$ 3,858
1700 Pupil Activities				
1740 Student Fees	17,040	17,040	12,664	(4,376)
1790 Other Pupil Activity Income	73,000	73,000	114,174	41,174
1900 Other Revenue from Local Sources				
1920 Contributions & Donations from Private Sources	25,000	25,000	29,667	4,667
1999 Revenue from Other Local Sources	4,960	4,960	7,286	2,326
<b>Total Local Sources</b>	<u>120,000</u>	<u>120,000</u>	<u>167,649</u>	<u>47,649</u>
<b>3000 Revenue from State Sources</b>				
3100 Restricted State Funding				
3180 Fringe Benefits Employer Contribution (No Carryover Provision)	539,597	539,597	606,239	66,642
3300 Education Finance Act (EFA)				
3310 Full-time Programs				
3311 Kindergarten	126,900	126,900	151,975	25,075
3312 Primary	430,050	430,050	465,357	35,307
3313 Elementary	675,065	675,065	715,326	40,261
3314 High School	171,550	171,550	169,653	(1,897)
3316 Speech Handicapped (Part-time)	127,163	127,163	96,619	(30,544)
3320 Part-Time Programs				
3323 Learning Disabilities	24,534	24,534	66,499	41,965
3330 Miscellaneous EFA Programs				
3331 Autism	12,079	12,079	6,232	(5,847)
3332 High Achieving Students	19,035	19,035	31,308	12,273
3334 Limited English Proficiency	-	-	3,395	3,395
3351 Academic Assistance	63,707	63,707	76,340	12,633
3352 Pupils in Poverty	84,600	84,600	127,603	43,003
3399 Other EFA Programs	-	-	5,181	5,181
<b>Total State Sources</b>	<u>2,274,280</u>	<u>2,274,280</u>	<u>2,521,727</u>	<u>247,447</u>
<b>Total Revenue All Sources</b>	<u>2,394,280</u>	<u>2,394,280</u>	<u>2,689,376</u>	<u>295,096</u>

**Bridges Preparatory School  
Beaufort, South Carolina  
Budgetary Comparison Schedule – General Fund  
Year Ended June 30, 2018**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures</b>				
<b>100 Instruction</b>				
110 General Instruction				
111 Kindergarten Programs				
100 Salaries	189,521	189,521	202,784	(13,263)
200 Employee Benefits	83,390	83,390	69,987	13,403
112 Primary Programs				
100 Salaries	395,592	395,592	449,699	(54,107)
200 Employee Benefits	153,972	153,972	146,517	7,455
113 Elementary Programs				
100 Salaries	1,058,418	1,058,418	1,016,003	42,415
200 Employee Benefits	291,104	291,104	230,311	60,793
300 Purchased Services	36,000	36,000	63,344	(27,344)
400 Supplies and Materials	107,000	107,000	106,863	137
114 High School Programs				
100 Salaries	50,000	50,000	42,904	7,096
200 Employee Benefits	3,718	3,718	2,380	1,338
120 Exceptional Programs				
126 Speech Handicapped				
400 Supplies and Materials	-	-	275	(275)
127 Learning Disabilities				
100 Salaries	259,149	259,149	245,239	13,910
200 Employee Benefits	27,121	27,121	24,934	2,187
400 Supplies and Materials	7,500	7,500	7,778	(278)
190 Instructional Pupil Activity				
300 Purchased Services	-	-	3,143	(3,143)
400 Supplies and Materials	30,000	30,000	27,933	2,067
600 Other Objects	73,000	73,000	92,451	(19,451)
<b>Total Instruction</b>	<u>2,765,485</u>	<u>2,765,485</u>	<u>2,732,545</u>	<u>32,940</u>

**Bridges Preparatory School  
Beaufort, South Carolina  
Budgetary Comparison Schedule – General Fund  
Year Ended June 30, 2018**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>200 Support Services</b>				
210 Pupil Services				
211 Attendance and Social Work Services				
200 Employee Benefits	6,200	6,200	4,632	1,568
212 Guidance Services				
100 Salaries	92,553	92,553	96,787	(4,234)
200 Employee Benefits	20,847	20,847	19,116	1,731
400 Supplies and Materials	2,000	2,000	315	1,685
213 Health Services				
100 Salaries	49,092	49,092	54,478	(5,386)
200 Employee Benefits	18,364	18,364	14,976	3,388
400 Supplies and Materials	5,000	5,000	2,540	2,460
214 Psychological Services				
300 Purchased Services	10,000	10,000	23,125	(13,125)
215 Exceptional Program Services				
300 Purchased Services	25,000	25,000	44,406	(19,406)
220 Instructional Staff Services				
221 Improvement of Instruction Curriculum Development				
100 Salaries	5,600	5,600	5,148	452
200 Employee Benefits	8,575	8,575	7,420	1,155
400 Supplies and Materials	-	-	3,429	(3,429)
224 Improvement of Instruction - Inservice and Staff Training				
300 Purchased Services	59,000	59,000	28,387	30,613
400 Supplies and Materials	-	-	175	(175)
230 General Administration Services				
231 Board of Education				
300 Purchased Services	20,000	20,000	14,312	5,688
318 Audit Services	9,500	9,500	12,750	(3,250)
400 Supplies and Materials	2,000	2,000	977	1,023
600 Other Objects	20,000	20,000	25,708	(5,708)
233 School Administration				
100 Salaries	453,633	453,633	446,741	6,892
200 Employee Benefits	144,282	144,282	110,705	33,577
300 Purchased Services	35,000	35,000	37,376	(2,376)
400 Supplies and Materials	39,500	39,500	37,862	1,638
250 Finance and Operations Services				
252 Fiscal Services				
300 Purchased Services	161,199	161,199	120,776	40,423
600 Other Objects	800	800	397	403

**Bridges Preparatory School  
Beaufort, South Carolina  
Budgetary Comparison Schedule – General Fund  
Year Ended June 30, 2018**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
253 Facilities Acquisition and Construction				
500 Capital Outlay				
510 Land	-	-	609,225	(609,225)
520 Construction Services	56,000	56,000	978,455	(922,455)
254 Operation and Maintenance of Plant				
100 Salaries	64,131	64,131	62,439	1,692
200 Employee Benefits	21,413	21,413	12,010	9,403
300 Purchased Services	394,604	394,604	382,050	12,554
321 Public Utilities	8,000	8,000	11,950	(3,950)
400 Supplies and Materials	20,000	20,000	32,275	(12,275)
470 Energy	78,000	78,000	75,108	2,892
255 Student Transportation				
300 Purchased Services	5,000	5,000	18,818	(13,818)
400 Supplies and Materials	16,000	16,000	11,706	4,294
258 Security				
300 Purchased Services	9,000	9,000	4,233	4,767
260 Central Support Services				
263 Information Services				
300 Purchased Services	30,000	30,000	34,341	(4,341)
400 Supplies and Materials	10,000	10,000	5,738	4,262
266 Technology and Data Processing Services				
100 Salaries	18,955	18,955	17,626	1,329
200 Employee Benefits	1,468	1,468	1,339	129
400 Supplies and Materials	6,000	6,000	1,901	4,099
270 Support Services Pupil Activity				
271 Pupil Services Activities				
300 Purchased Services	15,000	15,000	9,087	5,913
400 Supplies and Materials	5,000	5,000	4,837	163
<b>Total Support Services</b>	<u>1,946,716</u>	<u>1,946,716</u>	<u>3,385,676</u>	<u>(1,438,960)</u>
<b>500 Debt Services</b>				
610 Redemption of Principal	60,262	60,262	923,722	(863,460)
620 Interest	44,633	44,633	56,033	(11,400)
690 Other Objects	-	-	19,787	(19,787)
<b>Total Debt Service</b>	<u>104,895</u>	<u>104,895</u>	<u>999,542</u>	<u>(894,647)</u>
<b>Total Expenditures</b>	<u>4,817,096</u>	<u>4,817,096</u>	<u>7,117,763</u>	<u>(2,300,667)</u>

**Bridges Preparatory School  
Beaufort, South Carolina  
Budgetary Comparison Schedule – General Fund  
Year Ended June 30, 2018**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Other Financing Sources</b>				
5400 Proceeds from Long-Term Notes	-	-	1,482,000	1,482,000
<b>Interfund Transfers, From Other Funds</b>				
5230 Transfer from Special Revenue EIA Fund	2,657,387	2,657,387	2,835,923	178,536
<b>Total Other Financing Sources</b>	<u>2,657,387</u>	<u>2,657,387</u>	<u>4,317,923</u>	<u>1,660,536</u>
Excess/(Deficiency) of Revenues and Other Financing Sources over Expenditures	<u>234,571</u>	<u>234,571</u>	<u>(110,464)</u>	<u>(345,035)</u>
<b>Fund Balance - July 1, 2017, Restated</b>	<u>1,867,455</u>	<u>1,867,455</u>	<u>1,867,455</u>	<u>-</u>
<b>Fund Balance - June 30, 2018</b>	<u>\$ 2,102,026</u>	<u>\$ 2,102,026</u>	<u>\$ 1,756,991</u>	<u>\$ (345,035)</u>

**Other Supplementary Financial Information**

## **Special Revenue Funds**

The purpose of the Special Revenue Funds is to account for the operations of federal and state projects, which are required to be accounted for in separate funds.

Special Revenue Fund – This fund is used to account for all federal and state projects except for those subject to Education Improvement Act requirements.

Education Improvement Act Fund – This fund is used to account for the School's expenditures as a result of receiving state funds used in a comprehensive education reform plan which are required to be accounted for in separate programs and strategies.

The following combining and individual fund statements and schedules have been prepared in the format mandated by the South Carolina State Department of Education. The account numbers shown on the various statements are also mandated by the South Carolina Department of Education.

**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Special Revenue Fund – Special Revenue Programs**  
**Schedule of Revenues, Expenditures, and**  
**Changes In Fund Balance**  
**Year Ended June 30, 2018**

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	IDEA	Other Designated Restricted State Grants	Other Special Revenue Programs	Total
<b>Revenues</b>				
<b>1000 Revenue from Local Sources</b>				
1600 Food Service				
1610 Lunch Sales to Pupils	\$ -	\$ -	\$ 22,917	\$ 22,917
<b>Total Local Sources</b>	<b>-</b>	<b>-</b>	<b>22,917</b>	<b>22,917</b>
<b>3000 Revenue from State Sources</b>				
3100 Restricted State Funding				
3120 General Education				
3127 Student Health and Fitness - PE Teachers	-	8,519	-	8,519
3130 Special Programs				
3135 Reading Coaches	-	60,259	-	60,259
3136 Student Health and Fitness - Nurses	-	25,897	-	25,897
3187 Teacher Supplies (No Carryover Provision)	-	12,375	-	12,375
<b>Total State Sources</b>	<b>-</b>	<b>107,050</b>	<b>-</b>	<b>107,050</b>
<b>4000 Revenue from Federal Sources</b>				
4300 Elementary and Secondary Education Act of 1965 (ESEA)				
4351 Improving Teacher Quality	-	-	12,110	12,110
4500 Programs for Children with Disabilities				
4510 Individuals with Disabilities Education Act (IDEA)	59,967	-	750	60,717
<b>Total Federal Sources</b>	<b>59,967</b>	<b>-</b>	<b>12,860</b>	<b>72,827</b>
<b>Total Revenue All Sources</b>	<b>59,967</b>	<b>107,050</b>	<b>35,777</b>	<b>202,794</b>
<b>Expenditures</b>				
<b>100 Instruction</b>				
110 General Instruction				
111 Kindergarten Programs				
400 Supplies and Materials	-	550	-	550
112 Primary Programs				
400 Supplies and Materials	-	1,375	-	1,375
113 Elementary Programs				
100 Salaries	-	8,519	-	8,519
400 Supplies and Materials	-	10,450	-	10,450



**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Special Revenue Fund – Special Revenue Programs**  
**Schedule of Revenues, Expenditures, and**  
**Changes In Fund Balance**  
**Year Ended June 30, 2018**

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	<u>IDEA</u>	<u>Other Designated Restricted State Grants</u>	<u>Other Special Revenue Programs</u>	<u>Total</u>
114 High School Programs				
100 Salaries	-	-	6,000	6,000
120 Exceptional Programs				
127 Learning Disabilities				
100 Salaries	58,226	-	750	58,976
400 Supplies and Materials	1,741	-	-	1,741
<b>Total Instruction</b>	<u>59,967</u>	<u>20,894</u>	<u>6,750</u>	<u>87,611</u>
<b>200 Support Services</b>				
210 Pupil Services				
213 Health Services				
100 Salaries	-	25,897	-	25,897
220 Instructional Staff Services				
221 Improvement of Instruction - Curriculum Development				
100 Salaries	-	59,190	-	59,190
200 Employee Benefits	-	1,069	-	1,069
224 Improvement of Instruction - Inservice and Staff Training				
300 Purchased Services	-	-	6,110	6,110
250 Finance and Operations Services				
256 Food Services				
400 Supplies and Materials	-	-	22,917	22,917
<b>Total Support Services</b>	<u>-</u>	<u>86,156</u>	<u>29,027</u>	<u>115,183</u>
<b>Total Expenditures</b>	<u>59,967</u>	<u>107,050</u>	<u>35,777</u>	<u>202,794</u>
Excess of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - July 1, 2017</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - June 30, 2018</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Special Revenue Fund – Special Revenue Programs**  
**Summary Schedule for Designated State Restricted Grants**  
**Year Ended June 30, 2018**

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<u>Subfund</u>	<u>Revenue</u>	<u>Programs</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Special Revenue Fund Unearned</u>
917	3187	Teacher Supplies	\$ 12,375	\$ 12,375	\$ -
935	3135	Reading Coaches	60,259	60,259	-
936	3136	Student Health and Fitness - Nurses	25,897	25,897	-
937	3127	Student Health and Fitness - PE Teachers	8,519	8,519	-
	<b>Totals</b>		<u>\$ 107,050</u>	<u>\$ 107,050</u>	<u>\$ -</u>

**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Special Revenue Fund - Education Improvement Act Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – All Programs**  
**Year Ended June 30, 2018**

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**Revenues**

**3000 Revenue from State Sources**

3500 Education Improvement Act:	
3507 Aid to District Technology	\$ 10,008
3511 Professional Development	5,030
3518 Adoption List of Formative Assessment	4,128
3526 Refurbishment of Science Kits	6,556
3532 National Board Salary Supplement (No Carryover Provision)	14,756
3538 Students at Risk of School Failure	43,565
3550 Teacher Salary Increase (No Carryover Provision)	111,571
3555 Teacher Salary Fringe (No Carryover Provision)	18,068
3557 Summer Reading Programs	11,397
3558 Reading	2,440
3583 Charter School Payments	2,835,923
3587 Maintenance of State Financial Support (MES) Tier I	17,400
3595 EEDA - Supplies and Materials	864
3597 Aid to Districts	9,265
	<hr/>
<b>Total State Sources</b>	<b>3,090,971</b>
	<hr/>
<b>Total Revenue All Sources</b>	<b>3,090,971</b>
	<hr/>

**Expenditures**

**100 Instruction**

110 General Instruction	
111 Kindergarten Programs	
100 Salaries	1,264
112 Primary Programs	
100 Salaries	19,920
200 Employee Benefits	633
400 Supplies and Materials	1,566
113 Elementary Programs	
100 Salaries	157,576
200 Employee Benefits	18,068
400 Supplies and Materials	13,596
114 High School Programs	
100 Salaries	7,977
200 Employee Benefits	1,147
300 Purchased Services	4,865

**Bridges Preparatory School**  
**Beaufort, South Carolina**  
**Special Revenue Fund - Education Improvement Act Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – All Programs**  
**Year Ended June 30, 2018**

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120 Exceptional Programs	
127 Learning Disabilities	
400 Supplies and Materials	11,578
<b>Total Instruction</b>	<b>238,190</b>
<b>200 Support Services</b>	
210 Pupil Services	
212 Guidance Services	
400 Supplies and Materials	862
220 Instructional Staff Services	
224 Improv. of Instr. - In-service and Staff Training	
300 Purchased Services	5,987
260 Central Support Services	
266 Technology and Data Processing Services	
300 Purchased Services	9,396
400 Supplies and Materials	613
<b>Total Support Services</b>	<b>16,858</b>
<b>Total Expenditures</b>	<b>255,048</b>
<b>Other Financing Uses</b>	
<b>Interfund Transfers, To Other Funds:</b>	
420-710 Transfer to General Fund	
(Excludes Indirect Costs)	(2,835,923)
<b>Total Other Financing Uses</b>	<b>(2,835,923)</b>
Excess of Revenues over Expenditures	-
<b>Fund Balance - July 1, 2017</b>	<b>-</b>
<b>Fund Balance - June 30, 2018</b>	<b>\$ -</b>

**Bridges Preparatory School  
Beaufort, South Carolina  
Special Revenue Fund – Education Improvement Act  
Summary Schedule by Program  
Year Ended June 30, 2018**

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<b>Program</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Interfund Transfers In/(Out)</b>	<b>EIA Fund Unearned Revenue</b>
3500 Education Improvement Act:				
3507 Aid to District Technology	\$ 10,008	\$ 10,008	\$ -	\$ -
3511 Professional Development	5,030	5,030	-	-
3518 Adoption List of Formative Assessment	4,128	4,128	-	-
3526 Refurbishment of Science Kits	6,556	6,556	-	-
3532 National Board Salary Supplement (No Carryover Provision)	14,756	14,756	-	-
3538 Students at Risk of School Failure	43,565	43,565	-	-
3550 Teacher Salary Increase (No Carryover Provision)	111,571	111,571	-	-
3555 Teacher Salary Fringe (No Carryover Provision)	18,068	18,068	-	-
3557 Summer Reading Programs	11,397	11,397	-	3,239
3558 Reading	2,440	2,440	-	-
3583 Charter School Payments	2,835,923	-	(2,835,923)	-
3587 Maintenance of State Financial Support (MES) Tier I	17,400	17,400	-	-
3595 EEDA - Supplies and Materials	864	864	-	-
3597 Aid to Districts	9,265	9,265	-	-
<b>Totals</b>	<b>\$ 3,090,971</b>	<b>\$ 255,048</b>	<b>\$ (2,835,923)</b>	<b>\$ 3,239</b>

**Bridges Preparatory School  
 Beaufort, South Carolina  
 Detailed Schedule of Due to South Carolina  
 Department of Education/Federal Government  
 Year Ended June 30, 2018**

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<u>Program</u>	<u>Grant or Project Number and FY</u>	<u>Revenue &amp; Subfund Codes</u>	<u>Description</u>	<u>Amount Due to SCDE or Federal Government</u>	<u>Status of Amounts Due to Grantors</u>
National Board Salary Supplement	EIA / FY2018	3532-332	School does not participate in state retirement, therefore returning the unused portion of retirement.	\$ 1,082	Unpaid as of date of financial statements

## **Compliance Section**



**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed In Accordance With  
Government Auditing Standards**

Board of Directors  
Bridges Preparatory School  
Beaufort, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Bridges Preparatory School (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 26, 2018.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. During our audit we identified one deficiency in internal control that we consider to be a material weakness, described in the accompany schedule of findings and responses as 2018-01.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instance of noncompliance that is required to be reported under *Government Auditing Standards*.

**The School's Response to Findings**

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina  
October 26, 2018

**Bridges Preparatory School  
Beaufort, South Carolina  
Schedule of Findings and Responses  
Year Ended June 30, 2018**

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**A. Summary of Audit Results**

1. The auditor's report expressed an unmodified opinion on the financial statements.
2. No significant deficiencies relating to the audit of the financial statements were disclosed during the audit.
3. One material weakness relating to the audit of the financial statements was disclosed during the audit.
4. No instances of noncompliance were disclosed during the audit.

**B. Findings – Financial Statement Audit**

2018-01

Prior Period Adjustment

**Condition:** The School's financial statements had to be restated due to numerous engineering and architect invoices that were not included in accounts payable in prior years. These services were performed but the invoice was not sent to the School as the vendor was awaiting the USDA loan.

**Criteria:** The School's internal control functions did not identify the missing invoices.

**Context:** Opening net position had to be restated to properly reflect the invoices.

**Effect:** Both current liabilities and fund balance was understated during prior years.

**Recommendation:** The School should have all liabilities recorded in the proper period. If it is known that a vendor is performing services but not immediately billing, a request should be made to the vendor to determine the amount the School has incurred.

**Response:** We will work with our vendors to ensure we have captured all outstanding liabilities.

**C. Findings – Compliance**

None