



Financial Statements

June 30, 2023

Bright Star Schools

Stella Elementary Charter Academy (SECA)
(Charter Number 1866)

Stella Middle Charter Academy (SMCA)
(Charter Number 0535)

Bright Star Secondary Charter Academy (BSSCA)
(Charter Number 0826)

Rise Kohyang Elementary School (RKES)
(Charter Number 1927)

Rise Kohyang Middle School (RKMS)
(Charter Number 1315)

Rise Kohyang High School (RKHS)
(Charter Number 1786)

Valor Academy Elementary School (VAES)
(Charter Number 1787)

Valor Academy Middle School (VAMS)
(Charter Number 1095)

Valor Academy High School (VAHS)
(Charter Number 1539)

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Independent Auditor's Report

Governing Board
Bright Star Schools
(California Nonprofit Public Benefit Corporations)
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bright Star Schools (BSS) (a California Nonprofit Public Benefit Corporation), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Bright Star Schools as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BSS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Standard

As discussed in Notes 1 and 5 to the financial statements, BSS has adopted the provisions of FASB Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022, using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BSS' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BSS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BSS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information as listed in the table of contents is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023 on our consideration of BSS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BSS' 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 BSS' internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 14, 2023

Bright Star Schools
Statement of Financial Position
June 30, 2023

Assets	
Current assets	
Cash	\$ 41,735,571
Restricted cash	10,813,550
Receivables	11,169,028
Prepaid expenses	<u>673,013</u>
Total current assets	<u>64,391,162</u>
Non-current assets	
Security deposit	169,744
Property and equipment	73,073,411
Operating lease right-of-use asset	<u>38,846,503</u>
Total non-current assets	<u>112,089,658</u>
Total assets	<u><u>\$ 176,480,820</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 7,633,307
Refundable advance	59,755,822
Due to BSEG	193,856
Current portion of notes payable	1,483,620
Current portion of operating lease liability	<u>890,469</u>
Total current liabilities	<u>69,957,074</u>
Long-term liabilities	
Operating lease liability, less current portion	<u>36,267,261</u>
Total liabilities	<u>106,224,335</u>
Net Assets	
Without donor restrictions	65,838,142
Without donor restrictions - board designated	<u>4,418,343</u>
Total net assets	<u>70,256,485</u>
Total liabilities and net assets	<u><u>\$ 176,480,820</u></u>

Bright Star Schools
Statement of Activities
June 30, 2023

Support and revenues	
Local Control Funding Formula	\$ 48,380,084
Federal revenue	7,249,429
Other state revenue	15,809,669
Employee retention credit revenue	4,419,313
Local revenues	
Other revenues	2,211,749
Proposition 1D revenue	31,314,770
Contributions	<u>7,062,921</u>
Total support and revenues	<u>116,447,935</u>
Expenses	
Program services	66,344,010
Management and general	<u>5,918,881</u>
Total expenses	<u>72,262,891</u>
Change in Net Assets	44,185,044
Net Assets, Beginning of Year, as restated	<u>26,071,441</u>
Net Assets, End of Year	<u>\$ 70,256,485</u>

Bright Star Schools
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Management and General	Total Expenses
Salaries	\$ 31,929,618	\$ 3,087,158	\$ 35,016,776
Employee benefits	5,320,638	301,461	5,622,099
Payroll taxes	5,043,503	266,777	5,310,280
Fees for services	6,882,176	596,196	7,478,372
Advertising and promotions	16,859	424,580	441,439
Office expenses	508,731	14,368	523,099
Information technology	533,481	174,915	708,396
Occupancy	7,414,337	141,711	7,556,048
Travel	762,272	1,716	763,988
Depreciation and amortization	467,092	-	467,092
Insurance	561,241	37,490	598,731
Other expenses	55,090	1,785	56,875
Equipment	109,071	1,885	110,956
Professional development	441,675	348,123	789,798
Professional and business fees	247,138	323,918	571,056
Student service	1,963,504	8,218	1,971,722
Fundraising expense	113,551	-	113,551
Instructional materials	1,424,108	14,990	1,439,098
Legal and audit	137,550	138,007	275,557
Communication	691,152	35,583	726,735
Utilities	437,875	-	437,875
Management fees	1,283,348	-	1,283,348
	<u>\$ 66,344,010</u>	<u>\$ 5,918,881</u>	<u>\$ 72,262,891</u>
Total	<u>\$ 66,344,010</u>	<u>\$ 5,918,881</u>	<u>\$ 72,262,891</u>

Bright Star Schools
Statement of Cash Flows
Year Ended June 30, 2023

Operating Activities	
Change in net assets	\$ 44,185,044
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Depreciation and amortization expense	467,092
Changes in operating assets and liabilities	
Receivables	326,525
Due to BSEG	2,495,548
Prepaid expenses	317,272
Accounts payable	3,336,907
Refundable advance	(20,802,839)
Operating lease assets and liabilities	(936,599)
Due to BSEG	28,554
	<u>29,417,504</u>
Net Cash from (used for) Operating Activities	<u>29,417,504</u>
Investing Activities	
Purchases of property and equipment	<u>(22,457,850)</u>
Financing Activities	
Proceeds from issuance of notes	<u>1,483,620</u>
Net Change in Cash and Restricted Cash	8,443,274
Cash and Restricted Cash, Beginning of Year	<u>44,105,847</u>
Cash and Restricted Cash, End of Year	<u><u>\$ 52,549,121</u></u>
Cash	\$ 41,735,571
Cash restricted for construction	<u>10,813,550</u>
Total Cash and Restricted Cash	<u><u>\$ 52,549,121</u></u>

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Bright Star Schools (BSS) was incorporated in the State of California in 2002 as Stella Middle Charter Academy and renamed in 2005, as a nonprofit public benefit corporation that is organized under the Nonprofit Public Benefit Corporation Law exclusively for charitable and educational purposes within the meaning of 501(c)(3) of the Internal Revenue Code of 1954 or the corresponding provision of any future United States internal revenue law. During the 2023 fiscal year, BSS created BSDG 15226 Plummer LLC for the purpose of supporting and providing facilities for BSS.

BSS provides services such as education, encompassing instruction, student and staff support activities, facilities maintenance and operations, and food services. Supporting services include management and general services which are BSS' overall related administrative activities.

BSS is comprised of the following charter schools and related business operations:

- Stella Middle Charter Academy (SMCA)
- Bright Star Secondary Charter Academy (BSSCA)
- Rise Kohyang Elementary School (RKES)
- Rise Kohyang Middle School (RKMS)
- Rise Kohyang High School (RKHS)
- Valor Academy Elementary School (VAES)
- Valor Academy Middle School (VAMS)
- Valor Academy High School (VAHS)
- Stella Elementary Charter Academy (SECA)
- Business Office Team
- General Support
- BSDG 15226 Plummer LLC

The charter schools are funded principally through the State of California public education monies received through the California Department of Education and the Los Angeles Unified School District.

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net accumulated depreciation. BSS’ policy is to designate donor funds without restriction at the discretion of the board of directors. As of June 30, 2023, BSS has designated net assets for a specific purpose of technology refresh.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. BSS did not have net assets with donor restrictions for the year ended June 30, 2023.

Restricted Cash

Restricted cash in the amount of \$10,813,550 represents the remaining balance of funds received which are limited in use for the payment of costs of constructing and operating new facilities resulting from proceeds of the proposition 51 bonds and proposition 55 bonds.

Concentration of Credit Risk

BSS maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023, BSS had approximately \$52,333,748, in excess of FDIC-insured limits.

Receivables and Credit Policies

Receivables consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. No allowance for doubtful accounts has been established, as BSS deems all amounts to be fully collectible. Substantially all outstanding receivables as of June 30, 2023 are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

Intra-Entity Transactions

Intra-entity transactions result from a net cumulative difference between resources provided by the business office team and general support to each charter school and reimbursement for those resources from each charter school to the business office team and general support. Intra-entity transfers include certain costs of shared liabilities and shared assets between charter schools.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the Statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

BSS reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023.

Revenue and Revenue Recognition

Operating funds for BSS are derived principally from state and federal sources. BSS receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received.

A portion of BSS' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when BSS has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At June 30, 2023, no conditional contributions, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

BSS received Proposition 1D grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as one-half of the approved project costs paid under the award are reimbursed in the form of a state grant (recorded as proposition construction revenue) and one-half of the approved project costs paid under the award are required to be remitted back to the state in the form of loan payments over a period not to exceed thirty (30) years, when BSS has met certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received prior to meeting performance requirements and incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at \$7,000 per quarter. As a result of the changes to the credit, the maximum credit per employee increased from \$10,000 in 2020 to \$21,000 in 2021. During the year ended June 30, 2023, BSS recorded a \$4,419,313 benefit related to the credit which is presented in the statement of activities as Employee retention credit revenue.

BSS has elected to account for the credits by applying FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition. Under this method, BSS records contribution revenue when the contribution is deemed to be unconditional, that is when there is no longer a measurable performance or other barrier and a right of return or release from obligation to pay the contribution. Management has determined that the contribution is unconditional.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2023.

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. The statement of functional expenses present the natural classification detail of expenses by function. Each charter reports its own direct program service activities and supporting services that are specifically identifiable to the individual charter. Shared support services are charged to the business office team (BOT) in the financial statements and are allocated to the individual charter schools when they cannot be specifically identifiable to each charter's activity. BSS allocates these support services based on average daily attendance.

Income Taxes

BSS is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and qualifies for the charitable contribution. It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. BSS is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, BSS is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. BSS determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that BSS has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. BSS would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial Statements in conformity with generally accepted accounting principles requires BSS to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial Statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from and governmental agencies supportive of BSS' mission. Investments are made by diversified investment managers whose performance is monitored by BSS.

Change in Accounting Principle

Effective July 1, 2022, BSS adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. BSS elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. BSS has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, BSS accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, BSS recognized on July 1, 2022, the beginning of the adoption period, no cumulative effect adjustment to net assets, an operating lease liability of \$38,021,857, and an operating right-of-use asset of \$38,825,372. The adoption of the new standard did not materially impact BSS's statement of activities or statement of cash flows. See Note 5 for further disclosure of BSS's lease contracts.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of financial position date, comprises the following:

Cash	\$ 41,735,571
Receivables	<u>11,169,028</u>
	<u>\$ 52,904,599</u>

As part of BSS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, BSS has committed lines of credit in the amount of \$5,000,000, which it could draw upon. Occasionally, the board will designate a portion of any operating surplus to its operating reserve. As of June 30, 2023, no reserves are recorded.

Note 3 - Property and Equipment

Property and equipment at June 30, 2023, consisted of the following:

Land	\$ 36,847,000
Building/leasehold improvements	751,195
Computer equipment	2,892,877
Work in progress	<u>35,204,022</u>
Subtotal	75,695,094
Less: accumulated depreciation	<u>(2,621,683)</u>
	<u>\$ 73,073,411</u>

During the year ended June 30, 2023, \$469,448 was charged to BSS for depreciation expense.

Note 4 - Notes Payable

Notes payable consist of the following at June 30, 2023:

Note payable in the maximum amount of \$3,036,000, collateralized by real property; located at 15526-15544 Plummer Street, Los Angeles, California with interest of 5.00% per annum due monthly commencing on May 31, 2023, full outstanding principal maturing on May 31, 2024. \$ 1,483,620

Future maturities of notes payable are as follows:

Year Ending June 30,	Principal
2024	<u>\$ 1,483,620</u>

Note 5 - Leases

BSS leases certain real property for the operations of the charter school at various terms under long-term non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2061 and provide for renewal options ranging through 2071. BSS includes in the determination of the right-of-use assets and lease liabilities any renewal options reasonably certain to be exercised. BSS's operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires BSS to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, BSS estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using BSS's applicable borrowing rates and the contractual lease term.

The lease agreements also require BSS to comply with certain covenants and to maintain certain financial ratios. As of June 30, 2023, BSS was in compliance with all ratios and covenants.

BSS has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

BSS elected the practical expedient to not separate lease and non-lease components for real property and equipment leases.

Total lease costs for the year ended June 30, 2023 were as follows:

Operating lease cost	\$ 1,620,770
Short-term lease cost	\$ 3,926,550

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 2,506,027

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term:	
Operating leases	44.3 Years
Weighted-average discount rate:	
Operating leases	4.29%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of June 30, 2023:

	<u>June 30, 2023</u>
	<u>Operating</u>
2024	\$ 2,497,230
2025	2,476,421
2026	2,123,422
2027	2,122,368
2028	2,120,696
Thereafter	<u>57,236,281</u>
Total lease payments	68,576,418
Less interest	<u>(31,418,688)</u>
Present value of lease liabilities	<u>\$ 37,157,730</u>

Note 6 - Net Assets

Net assets consist of the following at June 30, 2023:

Net Assets Without Donor Restrictions	
Designated for employee retention and recruiting	<u>\$ 4,418,343</u>

Note 7 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS).

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

BSS contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

BSS contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

Contributions

Required members, BSS and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and BSS’ total contributions were \$4,224,220.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of BSS. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,953,028 (10.828% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 8 - Contingencies, Risks, and Uncertainties

BSS has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

BSS’s credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2025. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

Note 9 - Subsequent Events

BSS' management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 14, 2023, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.



Supplementary Information
June 30, 2023

Bright Star Schools

Bright Star Schools
Schedules of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through the California Department of Education (CDE)			
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	\$ 513,789
COVID-19 - Expanded Learning Opportunities (ELO) Grant ESSER II State Reserves	84.425D	15618	406,448
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	3,261,603
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	38,955
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	83,053
COVID-19 Elementary and Secondary School Emergency Relief III State Reserve, Learning Loss	84.425U	15621	125,532
COVID-19 Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	86,734
COVID-19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	<u>38,307</u>
Subtotal Education Stabilization Fund			<u>4,554,421</u>
Title I Grants to Local Educational Agencies	84.010	14329	1,523,502
Title IV, Part A - Student Support and Academic Enrichment Grants	84.424	15396	126,984
Title II, Part A - Supporting Effective Instruction	84.367	14341	180,902
Passed Through Los Angeles Unified School District (LAUSD)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	<u>863,620</u>
Subtotal Special Education (IDEA) Cluster			<u>863,620</u>
Total U.S. Department of Education			<u>7,249,429</u>
Total Federal Financial Assistance			<u>\$ 7,249,429</u>

Organization

Bright Star Schools is a nonprofit public benefit corporation and operates nine charter schools approved by the Los Angeles Unified School District as follows:

- Stella Elementary Charter Academy (SECA) charter number 1866 – established in 2018
- Stella Middle Charter Academy (SMCA) charter number 0535 – established in 2003
- Bright Star Secondary Charter Academy (BSSCA) charter number 0826 – established in 2006
- Rise Kohyang Elementary School (RKES) charter number 1927 – established in 2019
- Rise Kohyang Middle School (RKMS) charter number 1315 – established in 2012
- Rise Kohyang High School (RKHS) charter number 1786 - established in 2016
- Valor Academy Elementary School (VAES) charter number 1787 - established in 2016
- Valor Academy Middle School (VAMS) charter number 1095 – established in 2009
- Valor Academy High School (VAHS) charter number 1539 – established in 2013

The Board of Directors and the Administrators as of the year ended June 30, 2023 were as follows:

Governing Board

Member	Office	Term Expires
Andrew Murr	Board Chairman	2025
Jennifer Cole	Secretary	2025
Manny Aceves	Member	2025
Stephen Green	Member	2025
Marisol Leon	Member	2025
Lois Levy	Member	2025
Andrew Wang	Member	2025
Louisa Wee	Member	2025
Robin Elledge	Member	2025

Administration

Hrag Hamalian	Executive Director
Melissa Kaplan	Deputy Superintendent of Education
Elijah Sugay	Chief Business Officer
China Habte	Head of Accounting and Fiscal Services

Bright Star Schools
Schedule of Average Daily Attendance
Year Ended June 30, 2023

	Final Report	
	Second Period Report	Annual Report
Stella Elementary Charter Academy (SECA)		
Regular ADA		
Transitional kindergarten through third	184.69	183.53
Fourth	39.68	39.43
Total Regular ADA	224.37	222.96
Classroom based ADA		
Transitional kindergarten through third	184.69	183.53
Fourth	39.68	39.43
Total Classroom Based ADA	224.37	222.96
Stella Middle Charter Academy (SMCA)		
Regular ADA		
Fifth and sixth	194.69	193.98
Seventh and eighth	246.25	245.13
Total Regular ADA	440.94	439.11
Classroom based ADA		
Fifth and sixth	194.69	193.98
Seventh and eighth	246.25	245.13
Total Classroom Based ADA	440.94	439.11
Bright Star Secondary Charter Academy (BSSCA)		
Regular ADA		
Ninth through twelfth	470.38	465.22
Total Regular ADA	470.38	465.22
Classroom based ADA		
Ninth through twelfth	470.38	465.22
Total Classroom Based ADA	470.38	465.22

Bright Star Schools
Schedule of Average Daily Attendance
Year Ended June 30, 2023

	Final Report	
	Second Period Report	Annual Report
Rise Kohyang Elementary School (RKES)		
Regular ADA		
Transitional kindergarten through third	165.17	167.31
Total Regular ADA	<u>165.17</u>	<u>167.31</u>
Classroom based ADA		
Transitional kindergarten through third	165.11	167.09
Total Classroom Based ADA	<u>165.11</u>	<u>167.09</u>
Rise Kohyang Middle School (RKMS)		
Regular ADA		
Sixth	98.06	98.20
Seventh and eighth	226.41	226.49
Total Regular ADA	<u>324.47</u>	<u>324.69</u>
Classroom based ADA		
Sixth	98.06	98.02
Seventh and eighth	226.31	226.42
Total Classroom Based ADA	<u>324.37</u>	<u>324.44</u>
Rise Kohyang High School (RKHS)		
Regular ADA		
Ninth through twelfth	444.27	441.45
Total Regular ADA	<u>444.27</u>	<u>441.45</u>
Classroom based ADA		
Ninth through twelfth	444.27	441.45
Total Classroom Based ADA	<u>444.27</u>	<u>441.45</u>

Bright Star Schools
Schedule of Average Daily Attendance
Year Ended June 30, 2023

	Final Report	
	Second Period Report	Annual Report
Valor Academy Elementary School (VAES)		
Regular ADA		
Transitional kindergarten through third	272.86	272.02
Fourth	64.75	64.53
Total Regular ADA	337.61	336.55
Classroom based ADA		
Transitional kindergarten through third	272.86	272.02
Fourth	64.75	64.53
Total Classroom Based ADA	337.61	336.55
Valor Academy Middle School (VAMS)		
Regular ADA		
Fifth and sixth	240.34	240.69
Seventh and eighth	241.60	241.57
Total Regular ADA	481.94	482.26
Classroom based ADA		
Fifth and sixth	240.34	240.69
Seventh and eighth	241.60	241.57
Total Classroom Based ADA	481.94	482.26
Valor Academy High School (VAHS)		
Regular ADA		
Ninth through twelfth	460.97	455.84
Total Regular ADA	460.97	455.84
Classroom based ADA		
Ninth through twelfth	460.97	455.84
Total Classroom Based ADA	460.97	455.84

Bright Star Schools
Schedule of Instructional Time
Year ended June 30, 2023

Stella Elementary Charter Academy (SECA)

Grade Level	1986-87 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Kindergarten	36,000	56,920	-	56,920	176	-	-	176	Complied
Grades 1 - 3	50,400								
Grade 1		51,640	-	51,640	176	-	-	176	Complied
Grade 2		56,750	-	56,750	176	-	-	176	Complied
Grade 3		56,750	-	56,750	176	-	-	176	Complied
Grade 4	54,000	56,750	-	56,750	176	-	-	176	Complied

Stella Middle Charter Academy (SMCA)

Grade Level	1986-87 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 5 - 6	54,000								
Grade 5		56,870	-	56,870	176	-	-	176	Complied
Grade 6		56,870	-	56,870	176	-	-	176	Complied
Grades 7 - 8	54,000								
Grade 7		56,870	-	56,870	176	-	-	176	Complied
Grade 8		56,870	-	56,870	176	-	-	176	Complied

Bright Star Secondary Charter Academy (BSSCA)

Grade Level	1986-87 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 9 - 12	64,800								
Grade 9		66,590	-	66,590	176	-	-	176	Complied
Grade 10		66,590	-	66,590	176	-	-	176	Complied
Grade 11		66,590	-	66,590	176	-	-	176	Complied
Grade 12		66,590	-	66,590	176	-	-	176	Complied

See Notes to Supplementary Information

Bright Star Schools
Schedule of Instructional Time
Year ended June 30, 2023

Rise Kohyang Elementary School (RKES)

Grade Level	1986-87 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Kindergarten	36,000	53,970	-	53,970	176	-	-	176	Complied
Grades 1 - 2	50,400								
Grade 1		54,260	-	54,260	176	-	-	176	Complied
Grade 2		56,800	-	56,800	176	-	-	176	Complied
Grade 3		56,800	-	56,800	176	-	-	176	Complied

Rise Kohyang Middle School (RKMS)

Grade Level	1986-87 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 6	54,000								
Grade 6		57,187	-	57,187	176	-	-	176	Complied
Grades 7 - 8	54,000								
Grade 7		57,027	-	57,027	176	-	-	176	Complied
Grade 8		57,027	-	57,027	176	-	-	176	Complied

Rise Kohyang High School (RKHS)

Grade Level	1986-87 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 9 - 12	64,800								
Grade 9		66,890	-	66,890	176	-	-	176	Complied
Grade 10		66,890	-	66,890	176	-	-	176	Complied
Grade 11		66,890	-	66,890	176	-	-	176	Complied
Grade 12		66,890	-	66,890	176	-	-	176	Complied

Bright Star Schools
Schedule of Instructional Time
Year ended June 30, 2023

Valor Academy Elementary School (VAES)

Grade Level	1986-87 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Kindergarten	36,000	58,325	-	58,325	176	-	-	176	Complied
Grades 1 - 3	50,400								
Grade 1		54,805	-	54,805	176	-	-	176	Complied
Grade 2		57,180	-	57,180	176	-	-	176	Complied
Grade 3		57,180	-	57,180	176	-	-	176	Complied
Grades 4	54,000	57,180	-	57,180	176	-	-	176	Complied

Valor Academy Middle School (VAMS)

Grade Level	1986-87 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 5 - 6	54,000								
Grade 5		57,810	-	57,810	176	-	-	176	Complied
Grade 6		57,810	-	57,810	176	-	-	176	Complied
Grades 7 - 8	54,000								
Grade 7		57,810	-	57,810	176	-	-	176	Complied
Grade 8		57,810	-	57,810	176	-	-	176	Complied

Valor Academy High School (VAHS)

Grade Level	1986-87 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades 9 - 12	64,800								
Grade 9		67,702	-	67,702	176	-	-	176	Complied
Grade 10		67,702	-	67,702	176	-	-	176	Complied
Grade 11		67,702	-	67,702	176	-	-	176	Complied
Grade 12		67,702	-	67,702	176	-	-	176	Complied

See Notes to Supplementary Information

Bright Star Schools
Reconciliation of Annual Financial Report with Audited Financial Statements
Year ended June 30, 2023

	<u>SMCA</u>	<u>BCCSA</u>	<u>RKMS</u>	<u>VAMS</u>	<u>VAHS</u>
Net Assets					
Balance, June 30, 2023, Unaudited Actuals	\$ 4,318,656	\$ 6,670,825	\$ 3,446,949	\$ 4,831,815	\$ 4,006,454
Decrease in					
Receivables	(3,675,913)	(3,741,567)	(309,817)	(501,393)	(292,099)
Prepays	-	-	(158,071)	(762,798)	-
Property and equipment	-	-	-	-	-
Operating lease right-of-use asset	(4,504,457)	-	-	-	(4,300,854)
Accounts payable	90,036	-	2,405,225	2,880	920,903
Refundable advance	157,367	268,630	112,427	164,356	-
Intra-entity payable	-	-	-	-	-
Operating lease liability	4,309,961	-	-	-	4,546,691
Increase in					
Intra-entity receivable	3,251,682	3,212,966	-	116,496	-
Prepays	6,149	-	-	-	-
Operating lease right-of-use asset	-	-	-	10,950,011	-
Accounts payable	-	(15,301)	-	-	-
Refundable advance	-	-	-	-	-
Intra-entity payable	-	-	(2,401,497)	-	(830,153)
Operating lease liability	-	-	-	(10,187,213)	-
Balance, June 30, 2023,					
Audited Financial Statements	<u>\$ 3,953,481</u>	<u>\$ 6,395,553</u>	<u>\$ 3,095,216</u>	<u>\$ 4,614,154</u>	<u>\$ 4,050,942</u>
	<u>RKHS</u>	<u>VAES</u>	<u>SECA</u>	<u>RKES</u>	<u>Total</u>
Net Assets					
Balance, June 30, 2023, Unaudited Actuals	\$ 30,932,899	\$ 3,142,919	\$ 1,251,774	\$ 1,186,652	\$ 59,788,943
Decrease in					
Receivables	(386,499)	(243,822)	(88,755)	(57,952)	(9,297,817)
Prepays	-	-	-	(8,449)	(929,318)
Property and equipment	-	(4,519,025)	-	-	(4,519,025)
Operating lease right-of-use asset	-	-	-	-	(8,805,311)
Accounts payable	-	4,440,531	1,037,289	1,289,528	10,186,392
Refundable advance	-	8,541	11,388	5,694	728,403
Intra-entity payable	-	22,154	-	-	22,154
Operating lease liability	-	-	-	-	8,856,652
Increase in					
Intra-entity receivable	374,776	-	-	-	6,955,920
Prepays	-	-	-	-	6,149
Operating lease right-of-use asset	-	-	-	-	10,950,011
Accounts payable	60	-	-	-	(15,241)
Refundable advance	3,671,282	-	-	-	3,671,282
Intra-entity payable	-	-	(1,080,975)	(1,321,065)	(5,633,690)
Operating lease liability	-	-	-	-	(10,187,213)
Balance, June 30, 2023,					
Audited Financial Statements	<u>\$ 34,592,518</u>	<u>\$ 2,851,298</u>	<u>\$ 1,130,721</u>	<u>\$ 1,094,408</u>	<u>\$ 61,778,291</u>

Bright Star Schools
Combining Statement of Financial Position
Year Ended June 30, 2023

	General Support	Stella Middle Charter Academy	Bright Star Secondary Charter Academy	Rise Kohyang Middle School	Valor Academy Middle School
Assets					
Current assets					
Cash	\$ 482,803	\$ 4,521,241	\$ 3,921,787	\$ 3,676,811	\$ 4,481,855
Restricted cash	-	-	-	-	-
Receivables	5,000	2,081,900	1,590,919	1,079,754	1,383,355
Intra-entity receivable	396,235	3,251,682	3,212,966	-	116,496
Prepaid expenses	12	8,951	138,319	141,942	18,598
Total current assets	<u>884,050</u>	<u>9,863,774</u>	<u>8,863,991</u>	<u>4,898,507</u>	<u>6,000,304</u>
Non-current assets					
Security deposit	-	7,332	8,250	61,398	-
Property and equipment	317	461,380	33,969	18,620,323	226,383
Operating lease right-of-use asset	-	13,392,509	-	-	10,950,011
Total non-current assets	<u>317</u>	<u>13,861,221</u>	<u>42,219</u>	<u>18,681,721</u>	<u>11,176,394</u>
	<u>\$ 884,367</u>	<u>\$ 23,724,995</u>	<u>\$ 8,906,210</u>	<u>\$ 23,580,228</u>	<u>\$ 17,176,698</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 19,806	\$ 333,536	\$ 435,257	\$ 197,496	\$ 238,833
Refundable advance	-	6,311,592	2,075,400	17,886,019	2,136,498
Intra-entity payable	-	-	-	2,401,497	-
Due to BSEG	172,068	-	-	-	-
Current portion of notes payable	-	-	-	-	-
Current portion of operating lease liability	-	201,389	-	-	476,922
Total current liabilities	<u>191,874</u>	<u>6,846,517</u>	<u>2,510,657</u>	<u>20,485,012</u>	<u>2,852,253</u>
Long-term liabilities					
Operating lease liability, less current portion	-	12,924,997	-	-	9,710,291
Total liabilities	<u>191,874</u>	<u>19,771,514</u>	<u>2,510,657</u>	<u>20,485,012</u>	<u>12,562,544</u>
Net Assets					
Without donor restrictions	692,493	3,426,872	5,735,090	2,683,477	4,104,433
Without donor restrictions - board designated	-	526,609	660,463	411,739	509,721
Total net assets	<u>692,493</u>	<u>3,953,481</u>	<u>6,395,553</u>	<u>3,095,216</u>	<u>4,614,154</u>
Total liabilities and net assets	<u>\$ 884,367</u>	<u>\$ 23,724,995</u>	<u>\$ 8,906,210</u>	<u>\$ 23,580,228</u>	<u>\$ 17,176,698</u>

Bright Star Schools
Combining Statement of Financial Position
Year Ended June 30, 2023

	Valor Academy High School	Rise Kohyang High School	Valor Academy Elementary School	Plummer LLC	Stella Elementary Charter Academy
Assets					
Current assets					
Cash	\$ 5,323,361	\$ 3,480,206	\$ 5,246,023	\$ -	\$ 2,765,709
Restricted cash	-	10,813,550	-	-	-
Receivables	1,255,981	1,439,661	946,943	-	661,311
Intra-entity receivable	-	374,776	-	-	-
Prepaid expenses	22,606	113,825	145,385	-	49,749
Total current assets	<u>6,601,948</u>	<u>16,222,018</u>	<u>6,338,351</u>	<u>-</u>	<u>3,476,769</u>
Non-current assets					
Security deposit	-	2,764	90,000	-	-
Property and equipment	193,315	48,801,935	6	4,519,025	199,483
Operating lease right-of-use asset	14,503,983	-	-	-	-
Total non-current assets	<u>14,697,298</u>	<u>48,804,699</u>	<u>90,006</u>	<u>4,519,025</u>	<u>199,483</u>
	<u>\$ 21,299,246</u>	<u>\$ 65,026,717</u>	<u>\$ 6,428,357</u>	<u>\$ 4,519,025</u>	<u>\$ 3,676,252</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 416,639	\$ 4,880,198	\$ 276,094	\$ 45,764	\$ 136,802
Refundable advance	2,157,381	25,554,001	1,839,499	-	1,327,754
Intra-entity payable	830,153	-	1,461,466	2,990,618	1,080,975
Due to BSEG	-	-	-	-	-
Current portion of notes payable	-	-	-	1,483,620	-
Current portion of operating lease liability	212,158	-	-	-	-
Total current liabilities	<u>3,616,331</u>	<u>30,434,199</u>	<u>3,577,059</u>	<u>4,520,002</u>	<u>2,545,531</u>
Long-term liabilities					
Operating lease liability, less current portion	13,631,973	-	-	-	-
Total liabilities	<u>17,248,304</u>	<u>30,434,199</u>	<u>3,577,059</u>	<u>4,520,002</u>	<u>2,545,531</u>
Net Assets					
Without donor restrictions	3,461,360	34,127,565	2,386,348	(977)	892,845
Without donor restrictions - board designated	589,582	464,953	464,950	-	237,876
Total net assets	<u>4,050,942</u>	<u>34,592,518</u>	<u>2,851,298</u>	<u>(977)</u>	<u>1,130,721</u>
Total liabilities and net assets	<u>\$ 21,299,246</u>	<u>\$ 65,026,717</u>	<u>\$ 6,428,357</u>	<u>\$ 4,519,025</u>	<u>\$ 3,676,252</u>

Bright Star Schools
Combining Statement of Financial Position
Year Ended June 30, 2023

	Rise Kohyang Elementary School	Business Office Team	Eliminations	Total
Assets				
Current assets				
Cash	\$ 2,401,168	\$ 5,434,607	\$ -	\$ 41,735,571
Restricted cash	-	-	-	10,813,550
Receivables	676,644	47,560	-	11,169,028
Intra-entity receivable	-	2,733,619	(10,085,774)	-
Prepaid expenses	887	32,739	-	673,013
Total current assets	<u>3,078,699</u>	<u>8,248,525</u>	<u>(10,085,774)</u>	<u>64,391,162</u>
Non-current assets				
Security deposit	-	-	-	169,744
Property and equipment	17,275	-	-	73,073,411
Operating lease right-of-use asset	-	-	-	38,846,503
Total non-current assets	<u>17,275</u>	<u>-</u>	<u>-</u>	<u>112,089,658</u>
	<u>\$ 3,095,974</u>	<u>\$ 8,248,525</u>	<u>\$ (10,085,774)</u>	<u>\$ 176,480,820</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 212,823	\$ 440,059	\$ -	7,633,307
Refundable advance	467,678	-	-	59,755,822
Intra-entity payable	1,321,065	-	(10,085,774)	-
Due to BSEG	-	21,788	-	193,856
Current portion of notes payable	-	-	-	1,483,620
Current portion of operating lease liability	-	-	-	890,469
Total current liabilities	<u>2,001,566</u>	<u>461,847</u>	<u>(10,085,774)</u>	<u>69,957,074</u>
Long-term liabilities				
Operating lease liability, less current portion	-	-	-	36,267,261
Total liabilities	<u>2,001,566</u>	<u>461,847</u>	<u>(10,085,774)</u>	<u>106,224,335</u>
Net Assets				
Without donor restrictions	944,303	7,384,333	-	65,838,142
Without donor restrictions - board designated	150,105	402,345	-	4,418,343
Total net assets	<u>1,094,408</u>	<u>7,786,678</u>	<u>-</u>	<u>70,256,485</u>
Total liabilities and net assets	<u>\$ 3,095,974</u>	<u>\$ 8,248,525</u>	<u>\$ (10,085,774)</u>	<u>\$ 176,480,820</u>

Bright Star Schools
Combining Statement of Activities
Year Ended June 30, 2023

	General Support	Stella Middle Charter Academy	Bright Star Secondary Charter Academy	Rise Kohyang Middle School	Valor Academy Middle School
Support and Revenues					
Local Control Funding Formula	\$ -	\$ 5,812,565	\$ 7,453,558	\$ 4,278,218	\$ 6,336,867
Federal revenue	-	879,387	1,373,319	681,150	978,987
Other State revenue	-	2,884,765	1,375,844	2,441,210	1,972,878
Employee retention credit revenue	-	526,609	660,463	411,739	509,721
Local revenues					
Other revenue	7,984	118,505	1,109,699	103,497	71,651
Proposition revenue	-	-	-	-	-
Contributions	62,921	-	-	-	-
Total revenues	70,905	10,221,831	11,972,883	7,915,814	9,870,104
Expenses					
Program services	23,422	8,779,513	9,516,982	6,557,290	7,788,461
Management and general	-	897,584	1,110,277	721,218	903,674
Total expenses	23,422	9,677,097	10,627,259	7,278,508	8,692,135
Change in Net Assets	47,483	544,734	1,345,624	637,306	1,177,969
Net Assets, Beginning of Year	645,010	3,408,747	5,049,929	2,457,910	3,436,185
Net Assets, End of Year	<u>\$ 692,493</u>	<u>\$ 3,953,481</u>	<u>\$ 6,395,553</u>	<u>\$ 3,095,216</u>	<u>\$ 4,614,154</u>

Bright Star Schools
Combining Statement of Activities
Year Ended June 30, 2023

	Valor Academy High School	Rise Kohyang High School	Valor Academy Elementary School	Plummer LLC	Stella Elementary Charter Academy
Support and Revenues					
Local Control Funding Formula	\$ 7,297,066	\$ 6,993,733	\$ 4,695,139	\$ -	\$ 3,150,596
Federal revenue	1,253,604	917,635	626,985	-	340,025
Other State revenue	1,617,306	1,431,988	1,932,103	-	1,297,146
Employee retention credit revenue	589,582	464,953	465,920	-	237,876
Local revenues					
Other revenue	177,125	295,910	127,812	-	74,492
Proposition revenue	-	\$ 31,314,770	-	-	-
Contributions	-	-	2,231,344	-	488,479
Total revenues	<u>10,934,683</u>	<u>41,418,989</u>	<u>10,079,303</u>	<u>-</u>	<u>5,588,614</u>
Expenses					
Program services	8,758,592	8,326,956	8,081,514	977	4,939,234
Management and general	985,219	900,829	712,598	-	478,728
Total expenses	<u>9,743,811</u>	<u>9,227,785</u>	<u>8,794,112</u>	<u>977</u>	<u>5,417,962</u>
Change in Net Assets	1,190,872	32,191,204	1,285,191	(977)	170,652
Net Assets, Beginning of Year	<u>2,860,070</u>	<u>2,401,314</u>	<u>1,566,107</u>	<u>-</u>	<u>960,069</u>
Net Assets, End of Year	<u>\$ 4,050,942</u>	<u>\$ 34,592,518</u>	<u>\$ 2,851,298</u>	<u>\$ (977)</u>	<u>\$ 1,130,721</u>

Bright Star Schools
Combining Statement of Activities
Year Ended June 30, 2023

	Rise Kohyang Elementary School	Business Office Team	Eliminations	Total
Support and Revenues				
Local Control Funding Formula	\$ 2,362,342	\$ -	\$ -	\$ 48,380,084
Federal revenue	198,337	-	-	7,249,429
Other State revenue	856,429	-	-	15,809,669
Employee retention credit revenue	150,105	402,345	-	4,419,313
Local revenues				
Other revenue	119,560	7,057,726	(7,052,212)	2,211,749
Proposition revenue	-	-	-	31,314,770
Contributions	339,631	5,000,000	(1,059,454)	7,062,921
Total revenues	<u>4,026,404</u>	<u>12,460,071</u>	<u>(8,111,666)</u>	<u>116,447,935</u>
Expenses				
Program services	3,571,069	1,059,454	(1,059,454)	66,344,010
Management and general	342,085	5,918,881	(7,052,212)	5,918,881
Total expenses	<u>3,913,154</u>	<u>6,978,335</u>	<u>(8,111,666)</u>	<u>72,262,891</u>
Change in Net Assets	113,250	5,481,736	-	44,185,044
Net Assets, Beginning of Year	<u>981,158</u>	<u>2,304,942</u>	<u>-</u>	<u>26,071,441</u>
Net Assets, End of Year	<u>\$ 1,094,408</u>	<u>\$ 7,786,678</u>	<u>\$ -</u>	<u>\$ 70,256,485</u>

Bright Star Schools
Combining Statement of Functional Expenses
Year Ended June 30, 2023

	General Support		Stella Middle Charter Academy		Bright Star Secondary Charter Academy	
	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General
Salaries	\$ -	\$ -	\$ 4,207,371	\$ -	\$ 4,917,437	\$ -
Employee benefits	-	-	974,278	-	718,027	-
Payroll taxes	-	-	652,479	-	768,204	-
Fees for services	-	-	753,045	-	824,717	-
Advertising and promotions	-	-	664	-	3,317	-
Office expenses	-	-	94,380	-	39,636	-
Information technology	28	-	47,622	-	33,404	-
Occupancy	-	-	810,077	-	873,344	-
Travel	-	-	124,826	-	64,782	-
Depreciation and amortization	6,665	-	104,085	-	30,785	-
Insurance	-	-	93,056	-	67,059	-
Other expenses	-	-	30,716	-	7,954	-
Grants back to schools	-	-	-	-	-	-
Equipment	-	-	30,463	-	2,889	-
Professional development	15,253	-	49,136	-	38,851	-
Professional and business fees	773	-	25,442	-	37,908	-
Student service (credit)	(26)	-	245,479	-	573,952	-
Fundraising expense	-	-	2,718	-	6,256	-
Instructional materials	704	-	145,271	-	222,566	-
Legal and audit	-	-	7,816	-	6,843	-
Communication	25	-	85,655	-	77,796	-
Utilities	-	-	130,324	-	13,126	-
Management fees	-	-	164,610	897,584	188,129	1,110,277
Total	\$ 23,422	\$ -	\$ 8,779,513	\$ 897,584	\$ 9,516,982	\$ 1,110,277

Bright Star Schools
Combining Statement of Functional Expenses
Year Ended June 30, 2023

	Rise Kohyang Middle School		Valor Academy Middle School		Valor Academy High School	
	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General
Salaries	\$ 2,887,995	\$ -	\$ 3,803,286	\$ -	\$ 4,474,160	\$ -
Employee benefits	488,805	-	610,316	-	711,047	-
Payroll taxes	465,145	-	628,597	-	693,973	-
Fees for services	667,550	-	811,066	-	818,034	-
Advertising and promotions	2,975	-	777	-	1,413	-
Office expenses	71,119	-	47,439	-	65,047	-
Information technology	63,260	-	97,736	-	85,705	-
Occupancy	1,193,201	-	466,647	-	507,917	-
Travel	85,402	-	230,645	-	176,848	-
Depreciation and amortization	6,585	-	117,891	-	85,901	-
Insurance	46,920	-	95,201	-	99,016	-
Other expenses	600	-	1,382	-	8,621	-
Grants back to schools	-	-	-	-	-	-
Equipment	9,024	-	11,229	-	11,290	-
Professional development	32,919	-	79,330	-	50,630	-
Professional and business fees	28,563	-	29,396	-	37,322	-
Student service (credit)	225,783	-	232,841	-	191,359	-
Fundraising expense	-	-	48,088	-	4,577	-
Instructional materials	73,495	-	114,675	-	340,050	-
Legal and audit	10,628	-	20,918	-	6,456	-
Communication	76,182	-	85,607	-	97,887	-
Utilities	-	-	75,640	-	107,047	-
Management fees	121,139	721,218	179,754	903,674	184,292	985,219
Total	\$ 6,557,290	\$ 721,218	\$ 7,788,461	\$ 903,674	\$ 8,758,592	\$ 985,219

Bright Star Schools
Combining Statement of Functional Expenses
Year Ended June 30, 2023

	Rise Kohyang High School		Valor Academy Elementary School		Plummer LLC	
	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General
Salaries	\$ 4,136,392	\$ -	\$ 3,650,153	\$ -	\$ -	\$ -
Employee benefits	657,186	-	584,770	-	-	-
Payroll taxes	680,396	-	548,027	-	-	-
Fees for services	410,260	-	960,332	-	-	-
Advertising and promotions	3,853	-	558	-	-	-
Office expenses	50,012	-	47,548	-	-	-
Information technology	69,689	-	41,019	-	-	-
Occupancy	1,366,941	-	1,481,868	-	977	-
Travel	57,347	-	20,166	-	-	-
Depreciation and amortization	23,523	-	3,306	-	-	-
Insurance	63,901	-	49,190	-	-	-
Other expenses	643	-	4,740	-	-	-
Grants back to schools	-	-	-	-	-	-
Equipment	7,970	-	9,214	-	-	-
Professional development	42,573	-	72,520	-	-	-
Professional and business fees	20,910	-	44,488	-	-	-
Student service (credit)	110,487	-	173,668	-	-	-
Fundraising expense	1,668	-	43,124	-	-	-
Instructional materials	244,304	-	119,059	-	-	-
Legal and audit	6,058	-	48,003	-	-	-
Communication	88,413	-	51,278	-	-	-
Utilities	107,204	-	-	-	-	-
Management fees	177,226	900,829	128,483	712,598	-	-
Total	\$ 8,326,956	\$ 900,829	\$ 8,081,514	\$ 712,598	\$ 977	\$ -

Bright Star Schools
Combining Statement of Functional Expenses
Year Ended June 30, 2023

	Stella Elementary Charter School		Rise Kohyang Elementary School		Business Office Team	
	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General
Salaries	\$ 2,263,898	\$ -	\$ 1,588,926	\$ -	\$ -	\$ 3,087,158
Employee benefits	367,727	-	208,482	-	-	301,461
Payroll taxes	344,818	-	261,864	-	-	266,777
Fees for services	883,837	-	753,335	-	-	596,196
Advertising and promotions	359	-	2,943	-	-	424,580
Office expenses	43,837	-	49,713	-	-	14,368
Information technology	35,371	-	59,647	-	-	174,915
Occupancy	400,199	-	313,166	-	-	141,711
Travel	52	-	2,204	-	-	1,716
Depreciation and amortization	72,518	-	15,833	-	-	-
Insurance	29,264	-	17,634	-	-	37,490
Other expenses	113	-	321	-	-	1,785
Grants back to schools	-	-	-	-	1,059,454	-
Equipment	6,825	-	20,167	-	-	1,885
Professional development	37,699	-	22,764	-	-	348,123
Professional and business fees	12,912	-	9,424	-	-	323,918
Student service (credit)	136,508	-	73,453	-	-	8,218
Fundraising expense	7,120	-	-	-	-	-
Instructional materials	88,208	-	75,776	-	-	14,990
Legal and audit	25,382	-	5,446	-	-	138,007
Communication	98,433	-	29,876	-	-	35,583
Utilities	4,534	-	-	-	-	-
Management fees	79,620	478,728	60,095	342,085	-	-
Total	\$ 4,939,234	\$ 478,728	\$ 3,571,069	\$ 342,085	\$ 1,059,454	\$ 5,918,881

Bright Star Schools
Combining Statement of Functional Expenses
Year Ended June 30, 2023

	Eliminations		Total	
	Program Services	Management and General	Program Services	Management and General
Salaries	\$ -	\$ -	\$ 31,929,618	\$ 3,087,158
Employee benefits	-	-	5,320,638	301,461
Payroll taxes	-	-	5,043,503	266,777
Fees for services	-	-	6,882,176	596,196
Advertising and promotions	-	-	16,859	424,580
Office expenses	-	-	508,731	14,368
Information technology	-	-	533,481	174,915
Occupancy	-	-	7,414,337	141,711
Travel	-	-	762,272	1,716
Depreciation and amortization	-	-	467,092	-
Insurance	-	-	561,241	37,490
Other expenses	-	-	55,090	1,785
Grants back to schools	(1,059,454)	-	-	-
Equipment	-	-	109,071	1,885
Professional development	-	-	441,675	348,123
Professional and business fees	-	-	247,138	323,918
Student service (credit)	-	-	1,963,504	8,218
Fundraising expense	-	-	113,551	-
Instructional materials	-	-	1,424,108	14,990
Legal and audit	-	-	137,550	138,007
Communication	-	-	691,152	35,583
Utilities	-	-	437,875	-
Management fees	-	(7,052,212)	1,283,348	-
	-	-	-	-
Total	<u>\$ (1,059,454)</u>	<u>\$ (7,052,212)</u>	<u>\$ 66,344,010</u>	<u>\$ 5,918,881</u>

Note 1 - Purpose of Supplementary Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of BSS under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of BSS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BSS.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

BSS does not draw for indirect administrative expenses and has not elected to use the ten percent de minimis cost rate.

Local Education Agency Organization Structure

This schedule provides information about the charter schools operated by Bright Star Schools, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of BSS. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by BSS and whether BSS complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable. BSS must maintain their instructional minutes at the 1986-87 requirement as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets reported on the unaudited actual financial report to the audited financial Statements.

Combining Statement of Financial Position, Combining Statement of Activities, and Combining Statement of Functional Expenses

The Combining statement of financial position, Combining statement of activities, and Combining statement of functional expenses report the activities of the charter schools and are presented on the accrual basis of accounting. Eliminating entries in the Combining statement of financial position, Combining statement of activities, and Combining statement of functional expenses are for activities between the charter schools.



Independent Auditor's Reports
June 30, 2023

Bright Star Schools



**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***

Governing Board
Bright Star Schools
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

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 (*Government Auditing Standards*), the financial statements of Bright Star Schools (BSS), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BSS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BSS' internal control. Accordingly, we do not express an opinion on the effectiveness of BSS' 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 BSS' financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BSS' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 14, 2023



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

Governing Board
Bright Star Schools
Los Angeles, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bright Star Schools' (BSS) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on BSS' major federal programs for the year ended June 30, 2023. BSS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, BSS 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of BSS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of BSS' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to BSS' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on BSS' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BSS' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding BSS' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of BSS' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of BSS' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 a combination of deficiencies, in internal control over compliance, 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, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance 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 report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 14, 2023



Independent Auditor's Report on State Compliance

Governing Board
Bright Star Schools
Los Angeles, California

Report on Compliance

Opinion on State Compliance

We have audited Bright Star Schools' (BSS) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to BSS's state program requirements identified below for the year ended June 30, 2023.

In our opinion, BSS complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of BSS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of BSS's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to BSS's state programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on BSS’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BSS’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding BSS’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of BSS’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of BSS’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine BSS’s compliance with the state laws and regulations applicable to the following items:

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
GANN Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
Home to School Transportation	No, see below
Independent Study Certification for ADA Loss Mitigation	No, see below
 School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	No, see below
Career Technical Education Incentive Grant	No, see below
Transitional Kindergarten	Yes
 Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for “Local Education Agencies Other Than Charter Schools” are not applicable to charter schools; therefore, we did not perform any related procedures.

We did not perform California Clean Energy Jobs Act procedures because BSS did not receive funding for this program.

BSS does not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

BSS’s charter schools were not listed on the immunization assessment reports; therefore, we did not perform the remaining procedures.

We did not perform testing for Expanded Learning Opportunities Grant (ELO-G) because BSS did not report any expenditures related to this program in the current year.

We did not perform Career Technical Education Incentive Grant procedures because BSS did not receive funding for this grant.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study because BSS was not classified as nonclassroom-based and does not offer an Independent Study program.

ADA was below the threshold required for testing; therefore, we did not perform any procedures related to Determination of Funding for Nonclassroom-Based Instruction.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 14, 2023



Schedule of Findings and Questioned Costs
June 30, 2023

Bright Star Schools

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19 - Expanded Learning Opportunities (ELO) Grant ESSER II State Reserves	84.425D
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U
COVID-19 Elementary and Secondary School Emergency Relief III State Reserve, Learning Loss	84.425U
COVID-19 Expanded Learning Opportunities (ELO) Grant GEER II	84.425C
COVID-19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C
Special Education (IDEA) Cluster	84.027
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance for programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statements Finding

2022-001 30000 – Prior Period Restatement

Criteria or Specific Requirement

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free of material misstatement, whether due to error or fraud. Such controls should include review and approval of year-end closing entries, as well as entries related to transactions that are not considered routine in nature, to ensure the financial statements are fairly stated.

Condition

During our audit of the financial statements, we identified that a property as well as a refundable advance associated with funding from Proposition 1D funding in the prior year were not recorded in the financial statements as of June 30, 2021. These misstatements were not identified by management.

Questioned Cost

There were no questioned costs associated with the condition noted.

Context

The condition was identified through review of BSS records related to the financial account balances associated with Proposition 1D financing that had occurred in the prior year.

Effect

A restatement of the financial statements was needed to correct the misstatement. Entries were posted to correct property and refundable advance balance, both in the amount of \$15,534,000. While the asset and associated liability were both understated, there was no net effect on net assets as a result of the restatement.

Cause

This was an oversight that was not detected by BSS subsequent to the purchase of property as well as receiving of refundable advance.

Recommendation

To ensure accurate reporting prior to closing the financial statements, procedures should be established to ensure that property and equipment accounts are recorded correctly, and all transactions are properly accounted for at the time of the occurrence.

Current Status

Implemented.