



Financial Statements
June 30, 2021

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 (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 Financial Statements

We have audited the accompanying financial statements of Bright Star Schools (BSS) (a California Nonprofit Public Benefit Corporation), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to BSS's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BSS's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the BSS, as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other 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* (Uniform Guidance) 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.

The Schedule of Expenditures of Federal Awards and the other supplementary information as listed in the table of contents is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the other accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 on our consideration of BSS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BSS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BSS's internal control over financial reporting and compliance.



Rancho Cucamonga, California
January 31, 2022

Bright Star Schools
Statement of Financial Position
June 30, 2021

Assets	
Current assets	
Cash and cash equivalents	\$ 10,253,734
Receivables	14,215,115
Due from BSEG	2,494,548
Prepaid expenses	535,960
Current portion of note receivable	<u>97,561</u>
Total current assets	<u>27,596,918</u>
Non-current assets	
Security deposit	274,744
Note receivable - less current portion	1,555,312
Deferred rent asset	182,336
Property and equipment, net	<u>26,908,125</u>
Total non-current assets	<u>28,920,517</u>
Total assets	<u><u>\$ 56,517,435</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 1,431,783
Refundable advance	28,206,458
Refundable advance - Paycheck Protection Program (PPP)	5,846,300
Due to BSEG	78,209
Current portion of notes payable	<u>966,162</u>
Total current liabilities	<u>36,528,912</u>
Long-term liabilities	
Accrued compensated absences	679,352
Deferred rent liability	<u>245,837</u>
Total long-term liabilities	<u>925,189</u>
Total liabilities	<u>37,454,101</u>
Net Assets	
Without donor restrictions	18,950,444
With donor restrictions	<u>112,890</u>
Total net assets	<u>19,063,334</u>
Total liabilities and net assets	<u><u>\$ 56,517,435</u></u>

Bright Star Schools
Statement of Activities
June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Local Control Funding Formula	\$ 38,684,563	\$ -	\$ 38,684,563
Federal revenue	7,440,307	-	7,440,307
Other state revenue	9,198,713	655,685	9,854,398
Local revenues			
Other revenues	568,066	-	568,066
Contributions	360,822	-	360,822
Net assets released from restrictions	542,795	(542,795)	-
	<u>56,795,266</u>	<u>112,890</u>	<u>56,908,156</u>
Total support and revenues			
Expenses			
Program services	46,768,957	-	46,768,957
Management and general	4,339,545	-	4,339,545
	<u>51,108,502</u>	<u>-</u>	<u>51,108,502</u>
Total expenses			
Change in Net Assets	5,686,764	112,890	5,799,654
Net Assets, Beginning of Year	13,263,680	-	13,263,680
Net Assets, End of Year	<u>\$ 18,950,444</u>	<u>\$ 112,890</u>	<u>\$ 19,063,334</u>

Bright Star Schools
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Management and General	Total Expenses
Salaries	\$ 23,117,329	\$ 2,708,650	\$ 25,825,979
Employee benefits	7,149,572	126,003	7,275,575
Payroll taxes	663,296	148,038	811,334
Fees for services	2,343,838	299,711	2,643,549
Advertising and promotions	12,603	74,500	87,103
Office expenses	264,760	16,991	281,751
Information technology	878,661	137,963	1,016,624
Occupancy	7,771,924	405,466	8,177,390
Travel	-	62	62
Interest	8,250	7,500	15,750
Depreciation	475,386	-	475,386
Insurance	267,286	21,194	288,480
Other expenses	14,450	-	14,450
Grants back to schools	374,306	-	374,306
Equipment	581,312	2,199	583,511
Professional development	190,125	42,648	232,773
Professional and business fees	195,497	199,596	395,093
Student service	112,870	137	113,007
Fundraising expense	15,718	-	15,718
Instructional materials	612,902	210	613,112
Legal and audit	79,018	125,114	204,132
Communication	435,658	23,563	459,221
Utilities	261,795	-	261,795
Management fees	942,401	-	942,401
	<u>\$ 46,768,957</u>	<u>\$ 4,339,545</u>	<u>\$ 51,108,502</u>
Total			

Bright Star Schools
Statement of Cash Flows
Year Ended June 30, 2021

Operating Activities	
Change in net assets	\$ 5,799,654
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Depreciation expense	475,386
Changes in operating assets and liabilities	
Receivables	(6,846,023)
Prepaid expenses	320,962
Accounts payable	(926,113)
Accrued liabilities	200,278
Refundable advance	2,470,842
Deferred rent asset	<u>(10,954)</u>
Net Cash from (used for) Operating Activities	<u>1,484,032</u>
Investing Activities	
Purchases of property and equipment	(1,834,876)
Proceeds from the sale of property and equipment	<u>(27,344)</u>
Net Cash from (used for) Investing Activities	<u>(1,862,220)</u>
Financing Activities	
Principal payments on notes	\$ (57,745)
Net borrowings (repayments) under line of credit	<u>(2,000,000)</u>
Net Cash from (used for) Financing Activities	<u>(2,057,745)</u>
Net Change in Cash and Cash Equivalents	(2,435,933)
Cash and Cash Equivalents, Beginning of Year	<u>12,689,667</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,253,734</u>
Supplemental Cash Flow Disclosure	
Cash paid during the year in interest	<u>\$ 10,463</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.

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's 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 (VAES)
- Valor Academy Middle School (VAMS)
- Valor Academy High School (VAHS)
- Stella Elementary Charter Academy (SECA)
- Business Office Team
- General Support

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’s policy is to designate donor funds without restriction at the discretion of the board of directors. As of June 30, 2021, BSS has not designated any net assets for a specific purpose.

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 reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

BSS considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

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, 2021 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, 2021.

Deferred Rent

BSS recognizes escalating rent provisions on a straight-line basis over the lease term. The difference between the rent expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

In 2018, VAHS began leasing property from Lemona, LLC. Payments for this agreement began in January 2018. Lease payments for the year ended June 30, 2021 were \$916,938. Lease expense recognized on a straight-line basis was \$906,375 for the year ended June 30, 2021. At June 30, 2021, the deferred rent liability was \$245,837.

In 2019, SMCA began leasing property from Martin Luther King, LLC. Payments for this agreement began in July 2019. Lease payments for the year ended June 30, 2021 were \$925,238. Lease expense recognized on a straight-line basis was \$915,173 for the year ended June 30, 2021. At June 30, 2021, the deferred rent asset was \$182,336.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence balance is reported on the Statement of Financial Position.

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's 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. BSS received cost-reimbursable grants of \$28,206,458 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred, with an advance payment of \$28,206,458 recognized in the statement of financial position as a refundable advance.

Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when BSS would otherwise purchase the services. No amounts have been reflected in the accompanying financial statements for contributed goods or services during the year being reported because items did not meet the definition above. Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received, and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

BSS was granted a \$5,846,300 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. BSS is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. BSS has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. BSS initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if BSS maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2021. BSS will be required to repay any remaining balance, plus interest accrued at one percent, in monthly payments commencing upon notification that the loan will not be forgiven or partially forgiven. The terms of the loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The loan may be accelerated upon the occurrence of an event of default. At June 30, 2021, the refundable advance related to PPP consists of \$5,846,300 in loan proceeds. See Note 14 for subsequent loan forgiveness.

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's mission. Investments are made by diversified investment managers whose performance is monitored by BSS.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require BSS to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases. The ASU is effective for BSS for the year ended June 30, 2023. Management is evaluating the impact of the adoption of this standard.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities Contributed Nonfinancial Assets*, which requires a nonprofit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The ASU is effective for BSS for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

As of July 1, 2020, BSS adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. Management has determined that the adoption of this standard did not have a significant impact on BSS's financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. BSS has adopted this ASU as of July 1, 2020. Management has determined that the adoption of this standard did not have a significant impact on BSS's financial statement disclosures.

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 and cash equivalents	\$ 10,253,734
Receivables and due from BSEG	<u>16,709,663</u>
	<u><u>\$ 26,963,397</u></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. In addition, BSS invests cash in excess of daily requirements in county investment pools and money market funds. 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, 2021, no reserves are recorded.

Note 3 - Receivables

Receivables at June 30, 2021, consisted of the following:

Local Control Funding Formula	
State principal apportionment	\$ 9,993,124
In-lieu property taxes	372,256
Federal receivables	1,316,715
Other State receivables	1,845,613
Lottery	467,471
Local receivables	<u>219,936</u>
	<u><u>\$ 14,215,115</u></u>

No allowance for uncollectible receivables is deemed necessary.

Note 4 - Note Receivable

In December 2014, BSS extended a loan of \$1,652,873 to the Pacific Charter School Development Facility Project, which is presented as a long-term receivable in the Statement of financial position. The note bears an interest rate of 1.50% and the financing matures on December 10, 2029. Principal payments on the note start in January 2022. The note receivable balance as of June 30, 2021 was \$1,652,873.

Year Ending June 30,	Principal	Interest	Total
2022	\$ 97,561	\$ 24,830	\$ 122,391
2023	197,289	22,285	219,574
2024	200,257	19,314	219,571
2025	203,376	16,198	219,574
2026	206,491	13,082	219,573
2027-2030	747,899	20,580	768,479
	<u>\$ 1,652,873</u>	<u>\$ 116,289</u>	<u>\$ 1,769,162</u>

Note 5 - Property and Equipment

Property and equipment at June 30, 2021, consisted of the following:

Land	\$ 17,367,232
Building/leasehold improvements	543,874
Equipment	1,600,862
Computer equipment	914,514
Work in progress	<u>8,152,996</u>
Subtotal	28,579,478
Less: accumulated depreciation	<u>(1,671,353)</u>
	<u>\$ 26,908,125</u>

During the year ended June 30, 2021, \$475,386 was charged to BSS for depreciation expense.

Note 6 - Accounts Payable

Accounts payables at June 30, 2021 consisted of the following:

	BSS
Salaries and benefits	\$ 123,296
Supplies	390,009
Services	470,509
Construction	149,585
Other vendor payables	298,384
	\$ 1,431,783

Note 7 - Notes Payable

In December 2014, BSS obtained a promissory note for \$1,000,000 to fund the Bright Star Leverage Loan in an attempt to secure new market tax credit financing to obtain a facility for long-term use by VAMS. The note bears an interest rate of 1.5%. BSS has signed a loan extension agreement and the loan matures on October 1, 2021. The note includes a \$1,652,873 loan to the Pacific Charter School Development Facility Project (Note 4), which is presented as a long-term receivable in the Statement of Financial Position and matures on December 10, 2029. The loan balance as of June 30, 2021 was \$666,162.

In May 2020, BSS obtained a promissory note for \$300,000 to fund Bright Star Schools and provide support for distance or remote learning. The note bears a zero percent interest rate and matures on November 30, 2021. The loan balance as of June 30, 2021 was \$300,000.

Future maturities of notes payable are as follows:

Year Ending June 30,	Principal
2022	\$ 966,162

Note 8 - Accrued compensated Absences

Compensated absences (unpaid employee vacation) for BSS at June 30, 2021, amounted to \$679,352.

Note 9 - Operating Leases

BSS entered into various lease agreements in which BSS will occupy the properties noted below for campus locations for the duration noted. Lease expense is included in occupancy in the statement of functional expenses.

Operating Leases for School Sites

SMCA entered into a lease for the property located in Los Angeles, California. The term is from July 1, 2018 through June 1, 2050. Lease expense for the year ended June 30, 2021 was \$915,183.

VAES entered into a lease agreement for a property in Arleta, California to be used by VAES. The lease commenced on December 1, 2019 and ends June 30, 2021. Lease expense for the year ended June 30, 2021 was \$556,200.

VAMS entered into a lease agreement for property in Los Angeles, California to be used by VAMS. The lease commenced on July 1, 2015 and ends June 30, 2025. Lease expense for the year ended June 30, 2021 was \$547,000.

VAHS entered into a lease agreement for property in Los Angeles, California to be used by VAHS. The lease commenced on July 1, 2018 and ends June 30, 2051. Lease expense for the year ended June 30, 2021 was \$906,375.

RKMS entered into a sublease for the property located at 3020 Wilshire Blvd., Los Angeles, California. The term is from July 1, 2014 through June 30, 2021. Lease expense for the year ended June 30, 2021 was \$804,735.

BSSCA entered into a lease agreement for the property in Los Angeles, California to be used by BSSCA. The lease commenced on August 1, 2019 and ends on July 31, 2021. Lease expense for the year ended June 30, 2021 was \$688,262.

SECA entered into a lease agreement for the property in Los Angeles, California to be used by SECA. The lease commenced on August 1, 2018 and ends on July 31, 2024. Lease expense for the year ended June 30, 2021 was \$288,000.

Future minimum lease payments are as follows:

Year Ending June 30	SMCA	SECA	BSSCA	VAMS	VAHS	Total
2022	\$ 916,781	\$ 387,600	\$ 179,916	\$ 687,583	\$ 916,781	\$ 3,088,661
2023	918,319	397,272	29,986	788,000	918,319	3,051,896
2024	916,464	191,017	-	788,000	916,464	2,811,945
2025	918,377	194,838	-	788,000	918,377	2,819,592
2026	916,675	-	-	-	916,675	1,833,350
Thereafter	25,663,538	-	-	-	25,663,538	51,327,076
	<u>\$ 30,250,154</u>	<u>\$ 1,170,727</u>	<u>\$ 209,902</u>	<u>\$ 3,051,583</u>	<u>\$ 30,250,154</u>	<u>\$ 64,932,520</u>

The Organization receives no sublease rental revenues nor pays any contingent rentals associated with these leases.

Note 10 - Net Assets

Net assets with donor restrictions	
Subject to expenditure for specified purpose	
Restricted lottery	<u>\$ 112,890</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose.

Satisfaction of purpose restrictions	
State Learning Loss Mitigation Funds	\$ 318,553
Restricted lottery	<u>224,242</u>
Total nets assets released from donor restrictions	<u>\$ 542,795</u>

Note 11 - 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 risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if BSS chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. BSS has no plans to withdraw from this multi-employer plan.

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, 2019, 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, 2021, 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	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
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, 2021, are presented above and BSS' total contributions were \$2,863,073.

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 \$1,778,346 (10.328% 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 12 - 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.

Loans issued under the PPP were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of \$2 million are subject to review by the SBA for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the outstanding PPP loan balance. As such, the potential exists that BSS may be deemed ineligible for loan forgiveness and would be required to repay the loan.

Note 13 - Related Party Transactions

The Bright Star Education Group (BSEG) was incorporated in the State of California in 2013, 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. BSEG's purpose is to manage the growth of the network of Bright Star Schools operating in the Los Angeles area. In 2017, BSEG created the following limited liability corporations: Bright Star Development Group (BSDG) 990 La Fayette LLC (LF LLC), BSDG 4115 MLK LLC (MLK LLC), and BSDG 934 Lemona LLC (Lemona LLC). These corporations were created for the purpose of supporting and providing facilities for Bright Star Schools. BSEG is the sole member of each of the LLCs.

In August 2017, BSEG entered into a sublease agreement with RKHS for office space at 600 S. Lafayette, Los Angeles, California. In February 2017, BSDG 990 La Fayette LLC was created for the purpose of supporting and providing facilities for BSS. The LLC is the sole member of BSEG. The LLC subleased facilities to RKHS and the total rent expenses for RKHS was \$799,617 as of June 30, 2021. As part of the lease agreement, RKES rents, on a temporary basis, a portion of the facilities with annual rent expense of \$150,000. In addition, BSS business office team also rents a portion of facilities with annual rent expense of \$212,698. Both of the lease terms for RKES and the business office team are renewed annually.

In September 2018, BSEG entered into a lease agreement with VAHS for office space at 9334-9356 Lemona Avenue, California. Lemona, LLC leased facilities to VAHS and the total rent expense for VAHS was \$906,375 as of June 30, 2021.

In September 2018, BSEG entered into a sublease agreement with SMCA for the property located in Los Angeles, California. MLK LLC subleased facilities to SMCA, and total rent expense was \$915,173.

BSS has a \$2,494,548 receivable from BSEG related to expenses paid by BSS for the BSEG as of June 30, 2021. BSS has a related party liability as of June 30, 2021 of \$78,210 related to expenses paid by BSEG for BSS.

Note 14 - Subsequent Events

BSS's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through January 31, 2022, 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.

Subsequent to year-end, BSS recognized contribution revenue related to the Paycheck Protection Program (PPP) loan in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. BSS has recognized \$5,846,300 in contributions revenue and \$77,363 in interest. There is no outstanding loan balance.

Assembly Bill 130 approved on July 9, 2021 extends the terms of all charter schools whose terms expire on or between January 1, 2022 and June 30, 2025, inclusive, by two years. No action is required of charter authorizers or charter schools for this extension.



Supplementary Information
June 30, 2021

Bright Star Schools

Bright Star Schools
Schedules of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing/Federal CFDA 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 (ESSER) Fund	84.425D	15536	\$ 1,128,273
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	<u>50,701</u>
Subtotal Education Stabilization Fund			<u>1,178,974</u>
Title I, Part A - Basic Grant, Low Income and Neglected	84.010	14329	1,410,121
Title II, Part A - Supporting Effective Instruction	84.367	14341	162,130
Title IV, Part A - Student Support and Academic Enrichment Grants	84.424	15396	108,293
Title V, Part C - Public Charter Schools Grant Program	84.282A	15385	308,680
Passed Through Los Angeles Unified School District (LAUSD)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	<u>678,404</u>
Subtotal Special Education (IDEA) Cluster			<u>678,404</u>
Total U.S. Department of Education			<u>3,846,602</u>
U.S. Department of Treasury			
Passed through CDE			
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516	<u>3,593,705</u>
Total Federal Financial Assistance			<u><u>\$ 7,440,307</u></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 (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, 2021 were as follows:

Governing Board

Member	Office	Term Expires
Andrew Murr	Board Chairman	2023
James McGrath	Secretary	2023
Stephen Green	Member	2021
Marisol Leon	Member	2021
Jen Cole	Member	2024
Lois Levy	Member	2022
George Leftwich	Member	2022
Larry Klein	Member	2022
Andrew Wang	Member	2023
Louisa Wee	Member	2021
Robin Elledge	Member	2023

Administration

Hrag Hamalian	Executive Director
Melissa Kaplan	Deputy Superintendent of Education
Saman Bravo-Karimi	Chief Business Officer
China Habte	Fiscal Consultant

Stella Elementary Charter Academy (SECA)

Grade Level	Number of Days Offered		Credited Days	Total Days	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	178	N/A	-	178	Complied
Grades 1 - 3					
Grade 1	178	N/A	-	178	Complied
Grade 2	178	N/A	-	178	Complied
Grade 3	178	N/A	-	178	Complied
Grades 4					
Grade 4	178	N/A	-	178	Complied

Stella Middle Charter Academy (SMCA)

Grade Level	Number of Days Offered		Credited Days	Total Days	Status
	Traditional Calendar	Multitrack Calendar			
Grades 5 - 6					
Grade 5	178	N/A	-	178	Complied
Grade 6	178	N/A	-	178	Complied
Grades 7 - 8					
Grade 7	178	N/A	-	178	Complied
Grade 8	178	N/A	-	178	Complied

Bright Star Secondary Charter Academy (BSSCA)

Grade Level	Number of Days Offered		Credited Days	Total Days	Status
	Traditional Calendar	Multitrack Calendar			
Grades 9 - 12					
Grade 9	178	N/A	-	178	Complied
Grade 10	178	N/A	-	178	Complied
Grade 11	178	N/A	-	178	Complied
Grade 12	178	N/A	-	178	Complied

Rise Kohyang Elementary School (RKES)

Grade Level	Number of Days Offered		Credited Days	Total Days	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	178	N/A	-	178	Complied
Grades 1 - 3					
Grade 1	178	N/A	-	178	Complied
Grade 2	178	N/A	-	178	Complied
Grade 3	178	N/A	-	178	Complied
Grades 4 - 5					
Grade 4	178	N/A	-	178	Complied
Grade 5	178	N/A	-	178	Complied

Rise Kohyang Middle School (RKMS)

Grade Level	Number of Days Offered		Credited Days	Total Days	Status
	Traditional Calendar	Multitrack Calendar			
Grades 6					
Grade 6	178	N/A	-	178	Complied
Grades 7 - 8					
Grade 7	178	N/A	-	178	Complied
Grade 8	178	N/A	-	178	Complied

Rise Kohyang High School (RKHS)

Grade Level	Number of Days Offered		Credited Days	Total Days	Status
	Traditional Calendar	Multitrack Calendar			
Grades 9 - 12					
Grade 9	178	N/A	-	178	Complied
Grade 10	178	N/A	-	178	Complied
Grade 11	178	N/A	-	178	Complied
Grade 12	178	N/A	-	178	Complied

Valor Academy Elementary School (VAES)

Grade Level	Number of Days Offered		Credited Days	Total Days	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	178	N/A	-	178	Complied
Grades 1 - 3					
Grade 1	178	N/A	-	178	Complied
Grade 2	178	N/A	-	178	Complied
Grade 3	178	N/A	-	178	Complied
Grades 4					
Grade 4	178	N/A	-	178	Complied

Valor Academy Middle School (VAMS)

Grade Level	Number of Days Offered		Credited Days	Total Days	Status
	Traditional Calendar	Multitrack Calendar			
Grades 5 - 6					
Grade 5	178	N/A	-	178	Complied
Grade 6	178	N/A	-	178	Complied
Grades 7 - 8					
Grade 7	178	N/A	-	178	Complied
Grade 8	178	N/A	-	178	Complied

Valor Academy High School (VAHS)

Grade Level	Number of Days Offered		Credited Days	Total Days	Status
	Traditional Calendar	Multitrack Calendar			
Grades 9 - 12					
Grade 9	178	N/A	-	178	Complied
Grade 10	178	N/A	-	178	Complied
Grade 11	178	N/A	-	178	Complied
Grade 12	178	N/A	-	178	Complied

Bright Star Schools
Reconciliation of Annual Financial Report with Audited Financial Statements
Year ended June 30, 2021

	<u>SMCA</u>	<u>BCCSA</u>	<u>RKMS</u>	<u>VAMS</u>	<u>VAHS</u>
Net Assets					
Balance, June 30, 2021, Unaudited Actuals	\$ 2,714,906	\$ 4,903,150	\$ 1,922,333	\$ 3,736,719	\$ 1,628,645
Decrease in					
Receivables	-	-	-	(1,457,119)	-
Prepays	-	(21,050)	(23,992)	-	(15,384)
Fixed assets	-	(747,011)	(947,087)	-	-
Accounts payable	-	-	82,022	-	123,803
Refundable advance	-	-	-	-	10,563
Increase in					
Receivables	151,789	294,664	75,384	-	48,247
Intra-entity receivable	-	-	-	1,652,873	-
Prepays	10,064	-	-	-	-
Fixed assets	-	-	-	27,550	-
Accounts payable	(32,945)	(29,419)	-	(21,603)	-
Balance, June 30, 2021, Audited Financial Statements	<u>\$ 2,843,814</u>	<u>\$ 4,400,334</u>	<u>\$ 1,108,660</u>	<u>\$ 3,938,420</u>	<u>\$ 1,795,874</u>
	<u>RKHS</u>	<u>VAES</u>	<u>SECA</u>	<u>RKES</u>	<u>Total</u>
Net Assets					
Balance, June 30, 2021, Unaudited Actuals	\$ 839,248	\$ 561,969	\$ 138,674	\$ 95,619	\$ 16,541,263
Decrease in					
Receivables	-	-	(28,857)	-	(1,485,976)
Prepays	(13,807)	(8,434)	-	-	(82,667)
Fixed assets	-	-	-	-	(1,694,098)
Accounts payable	290,205	69,072	32,397	-	597,499
Deferred revenue	-	-	11,904	-	22,467
Increase in					
Receivables	30,041	24,925	-	40,390	665,440
Intra-entity receivable	-	-	-	-	1,652,873
Prepays	-	-	-	-	10,064
Fixed assets	-	-	70,429	-	97,979
Accounts payable	-	-	-	(165)	(84,132)
Balance, June 30, 2021, Audited Financial Statements	<u>\$ 1,145,687</u>	<u>\$ 647,532</u>	<u>\$ 224,547</u>	<u>\$ 135,844</u>	<u>\$ 16,240,712</u>

Bright Star Schools
Combining Statement of Financial Position
Year Ended June 30, 2021

	General Support	Stella Middle Charter Academy	Bright Star Secondary Charter Academy	Rise Kohyang Middle School
Assets				
Current assets				
Cash and cash equivalents	\$ 695,281	\$ 1,819,037	\$ 1,020,952	\$ 859,272
Receivables	-	1,946,637	2,419,501	1,435,730
Due from BSEG	-	1,371,979	-	-
Intra-entity receivable	6,067,827	2,003,575	1,379,727	-
Prepaid expenses	5,991	7,696	90,264	75,421
Current portion of note receivable	-	-	-	-
Total current assets	<u>6,769,099</u>	<u>7,148,924</u>	<u>4,910,444</u>	<u>2,370,423</u>
Non-current assets				
Security deposit	-	7,332	8,250	61,398
Note receivable - less current portion	-	-	-	-
Deferred rent asset	-	182,336	-	-
Property and equipment, net	27,901	562,454	94,760	1,649,290
Total non-current assets	<u>27,901</u>	<u>752,122</u>	<u>103,010</u>	<u>1,710,688</u>
	<u>\$ 6,797,000</u>	<u>\$ 7,901,046</u>	<u>\$ 5,013,454</u>	<u>\$ 4,081,111</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 5,421	\$ 292,592	\$ 127,876	\$ 62,651
Refundable advance	270	4,676,279	403,693	1,428,311
Refundable advance - Paycheck Protection Program	5,846,300	-	-	-
Intra-entity payable	-	-	-	1,438,744
Due to BSEG	-	25,813	-	-
Current portion of notes payable	300,000	-	-	-
Total current liabilities	<u>6,151,991</u>	<u>4,994,684</u>	<u>531,569</u>	<u>2,929,706</u>
Long-term liabilities				
Accrued compensated absences	-	62,548	81,551	42,745
Deferred rent liability	-	-	-	-
Total long-term liabilities	<u>-</u>	<u>62,548</u>	<u>81,551</u>	<u>42,745</u>
Total liabilities	<u>6,151,991</u>	<u>5,057,232</u>	<u>613,120</u>	<u>2,972,451</u>
Net Assets				
Without donor restrictions	645,009	2,827,642	4,383,994	1,094,743
With donor restrictions	-	16,172	16,340	13,917
Total net assets	<u>645,009</u>	<u>2,843,814</u>	<u>4,400,334</u>	<u>1,108,660</u>
Total liabilities and net assets	<u>\$ 6,797,000</u>	<u>\$ 7,901,046</u>	<u>\$ 5,013,454</u>	<u>\$ 4,081,111</u>

Bright Star Schools
Combining Statement of Financial Position
Year Ended June 30, 2021

	Valor Academy Middle School	Valor Academy High School	Rise Kohyang High School	Valor Academy Elementary School
Assets				
Current assets				
Cash and cash equivalents	\$ 931,435	\$ 1,845,936	\$ 965,491	\$ 759,940
Receivables	1,660,473	2,072,597	1,758,748	1,222,518
Due from BSEG	-	1,122,569	-	-
Intra-entity receivable	457,604	-	-	-
Prepaid expenses	45,583	31,271	131,730	85,758
Current portion of note receivable	97,561	-	-	-
Total current assets	3,192,656	5,072,373	2,855,969	2,068,216
Non-current assets				
Security deposit	105,000	-	2,764	90,000
Note receivable - less current portion	1,555,312	-	-	-
Deferred rent asset	-	-	-	-
Property and equipment, net	380,883	155,223	22,935,107	862,264
Total non-current assets	2,041,195	155,223	22,937,871	952,264
	\$ 5,233,851	\$ 5,227,596	\$ 25,793,840	\$ 3,020,480
Liabilities				
Current liabilities				
Accounts payable	\$ 180,518	\$ 273,076	\$ 98,653	\$ 51,710
Refundable advance	385,813	383,990	20,497,294	250,183
Refundable advance - Paycheck Protection Program	-	-	-	-
Intra-entity payable	-	2,414,109	4,001,680	2,030,877
Due to BSEG	-	52,396	-	-
Current portion of notes payable	666,162	-	-	-
Total current liabilities	1,232,493	3,123,571	24,597,627	2,332,770
Long-term liabilities				
Accrued compensated absences	62,938	62,314	50,526	40,178
Deferred rent liability	-	245,837	-	-
Total long-term liabilities	62,938	308,151	50,526	40,178
Total liabilities	1,295,431	3,431,722	24,648,153	2,372,948
Net Assets				
Without donor restrictions	3,921,843	1,779,609	1,132,208	635,423
With donor restrictions	16,577	16,265	13,479	12,109
Total net assets	3,938,420	1,795,874	1,145,687	647,532
Total liabilities and net assets	\$ 5,233,851	\$ 5,227,596	\$ 25,793,840	\$ 3,020,480

Bright Star Schools
Combining Statement of Financial Position
Year Ended June 30, 2021

	Stella Elementary Charter Academy	Rise Kohyang Elementary School	Business Office Team	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 500,182	\$ 416,521	\$ 439,687	\$ -	\$ 10,253,734
Receivables	917,821	781,090	-	-	14,215,115
Due from BSEG	-	-	-	-	2,494,548
Intra-entity receivable	-	-	2,177,642	(12,086,375)	-
Prepaid expenses	31,800	8,450	21,996	-	535,960
Current portion of note receivable	-	-	-	-	97,561
Total current assets	1,449,803	1,206,061	2,639,325	(12,086,375)	27,596,918
Non-current assets					
Security deposit	-	-	-	-	274,744
Note receivable - less current portion	-	-	-	-	1,555,312
Deferred rent asset	-	-	-	-	182,336
Property and equipment, net	185,919	54,324	-	-	26,908,125
Total non-current assets	185,919	54,324	-	-	28,920,517
	\$ 1,635,722	\$ 1,260,385	\$ 2,639,325	\$ (12,086,375)	\$ 56,517,435
Liabilities					
Current liabilities					
Accounts payable	\$ 39,304	\$ 65,175	\$ 234,807	\$ -	\$ 1,431,783
Refundable advance	120,240	60,385	-	-	28,206,458
Refundable advance - Paycheck Protection Program	-	-	-	-	5,846,300
Intra-entity payable	1,225,620	975,345	-	(12,086,375)	-
Due to BSEG	-	-	-	-	78,209
Current portion of notes payable	-	-	-	-	966,162
Total current liabilities	1,385,164	1,100,905	234,807	(12,086,375)	36,528,912
Long-term liabilities					
Accrued compensated absences	26,011	23,636	226,905	-	679,352
Deferred rent liability	-	-	-	-	245,837
Total long-term liabilities	26,011	23,636	226,905	-	925,189
Total liabilities	1,411,175	1,124,541	461,712	(12,086,375)	37,454,101
Net Assets					
Without donor restrictions	218,913	133,447	2,177,613	-	18,950,444
With donor restrictions	5,634	2,397	-	-	112,890
Total net assets	224,547	135,844	2,177,613	-	19,063,334
Total liabilities and net assets	\$ 1,635,722	\$ 1,260,385	\$ 2,639,325	\$ (12,086,375)	\$ 56,517,435

Bright Star Schools
Combining Statement of Activities
Year Ended June 30, 2021

	General Support	Stella Middle Charter Academy	Bright Star Secondary Charter Academy	Rise Kohyang Middle School
Support and Revenues				
Local Control Funding Formula	\$ -	\$ 5,090,004	\$ 6,163,852	\$ 4,370,204
Federal revenue	-	1,088,565	1,141,854	826,626
Other State revenue	-	1,688,589	1,393,926	1,227,005
Local revenues				
Other revenue	24,643	-	63,939	(948)
Contributions	106,675	78,799	6,368	(2,162)
Total revenues	<u>131,318</u>	<u>7,945,957</u>	<u>8,769,939</u>	<u>6,420,725</u>
Expenses				
Program services	60,120	6,569,401	7,295,601	5,749,171
Management and general	-	757,061	861,539	638,199
Total expenses	<u>60,120</u>	<u>7,326,462</u>	<u>8,157,140</u>	<u>6,387,370</u>
Change in Net Assets	71,198	619,495	612,799	33,355
Net Assets, Beginning of Year	<u>573,811</u>	<u>2,224,319</u>	<u>3,787,535</u>	<u>1,075,305</u>
Net Assets, End of Year	<u>\$ 645,009</u>	<u>\$ 2,843,814</u>	<u>\$ 4,400,334</u>	<u>\$ 1,108,660</u>

Bright Star Schools
Combining Statement of Activities
Year Ended June 30, 2021

	Valor Academy Middle School	Valor Academy High School	Rise Kohyang High School	Valor Academy Elementary School
Support and Revenues				
Local Control Funding Formula	\$ 5,193,400	\$ 6,145,695	\$ 5,062,283	\$ 3,962,581
Federal revenue	1,057,227	1,096,901	859,593	667,698
Other State revenue	1,354,824	1,324,811	1,109,274	1,076,232
Local revenues				
Other revenue	3,699	90,735	3,948	242
Contributions	35,614	16,304	753	16,383
Total revenues	<u>7,644,764</u>	<u>8,674,446</u>	<u>7,035,851</u>	<u>5,723,136</u>
Expenses				
Program services	5,796,651	6,656,445	5,417,124	4,829,981
Management and general	<u>772,923</u>	<u>855,626</u>	<u>701,178</u>	<u>576,643</u>
Total expenses	<u>6,569,574</u>	<u>7,512,071</u>	<u>6,118,302</u>	<u>5,406,624</u>
Change in Net Assets	1,075,190	1,162,375	917,549	316,512
Net Assets, Beginning of Year	<u>2,863,230</u>	<u>633,499</u>	<u>228,138</u>	<u>331,020</u>
Net Assets, End of Year	<u>\$ 3,938,420</u>	<u>\$ 1,795,874</u>	<u>\$ 1,145,687</u>	<u>\$ 647,532</u>

Bright Star Schools
Combining Statement of Activities
Year Ended June 30, 2021

	Stella Elementary Charter Academy	Rise Kohyang Elementary School	Business Office Team	Eliminations	Total
Support and Revenues					
Local Control Funding Formula	\$ 1,889,845	\$ 806,699	\$ -	\$ -	\$ 38,684,563
Federal revenue	448,264	253,579	-	-	7,440,307
Other State revenue	496,834	182,903	-	-	9,854,398
Local revenues					
Other revenue	2	374,306	5,044,374	(5,036,874)	568,066
Contributions	1,982	100,106	-	-	360,822
Total revenues	<u>2,836,927</u>	<u>1,717,593</u>	<u>5,044,374</u>	<u>(5,036,874)</u>	<u>56,908,156</u>
Expenses					
Program services	2,432,470	1,531,632	430,361		46,768,957
Management and general	292,071	119,156	3,802,023	(5,036,874)	4,339,545
Total expenses	<u>2,724,541</u>	<u>1,650,788</u>	<u>4,232,384</u>	<u>(5,036,874)</u>	<u>51,108,502</u>
Change in Net Assets	112,386	66,805	811,990	-	5,799,654
Net Assets, Beginning of Year	<u>112,161</u>	<u>69,039</u>	<u>1,365,623</u>	<u>-</u>	<u>13,263,680</u>
Net Assets, End of Year	<u>\$ 224,547</u>	<u>\$ 135,844</u>	<u>\$ 2,177,613</u>	<u>\$ -</u>	<u>\$ 19,063,334</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, 2021. 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 Instructional Time

This schedule presents information on the number of instructional days offered on the traditional calendar and on any multitrack calendars by BSS and whether BSS complied with the provisions of *Education Code* section 47612.

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 and Combining Statement of Activities

The Combining statement of financial position and Combining statement of activities 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 and Combining statement of activities are for activities between the charter schools.



Independent Auditor's Reports
June 30, 2021

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, the financial statements of Bright Star Schools (BSS) which comprise the statement of financial position as of June 30, 2021, 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 January 31, 2022.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bright Star Schools' 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 Bright Star Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bright Star Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
January 31, 2022



Independent Auditor's Report on Compliance for Each Major Program and 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

We have audited Bright Star Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bright Star Schools' major federal programs for the year ended June 30, 2021. Bright Star Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bright Star Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bright Star Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bright Star Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Bright Star Schools' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of BSS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BSS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BSS's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Rancho Cucamonga, California
January 31, 2022



Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited Bright Star Schools' (BSS) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on BSS's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about BSS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of BSS's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine BSS's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS (EXCEPT AS STATED IN ATTENDANCE AND DISTANCE LEARNING AND INSTRUCTIONAL TIME)	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Instructional Time	Yes
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
K-3 Grade Span Adjustment	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
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
Charter School Facility Grant Program	Yes

Programs listed above for “Local Education Agencies Other Than Charter Schools except as stated in Attendance and Distance Learning and Instructional Time” are not applicable to charter schools; therefore, we did not perform any related procedures.

BSS did not report any expenditures related to California Clean Energy Jobs Act in the current year. In addition, BSS has not yet filed their final expenditure report.

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.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because BSS was not classified as nonclassroom-based.

Unmodified Opinion

In our opinion, Bright Star Schools complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report 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
January 31, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

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 Section 200.516(a) of the Uniform Guidance:	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/CFDA Number</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19 Governor's Emergency Education Relief Fund: Learning Loss Mitigation	84.425C
COVID-19 Coronavirus Relief Fund: Learning Loss Mitigation	21.019
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
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None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.