

## Financial Statements

June 30, 2022

# 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 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, 2022, 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 BSS as of June 30, 2022, 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

Responsibilities of Management for

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LLI *...pany*

BrightStarSchools  
Statement of Financial Position  
June 30, 2022

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Assets		
Current assets		
Cash	\$	17,134,136
Restricted cash		26,971,711
Receivables		11,495,553
Due from BSEG		2,495,548
Prepaid expenses		990,285
Total current assets		59,087,233
Non current assets		
Security deposit		169,744
Property and equipment, net		51,082,653
Total non current assets		51,252,397
Total assets	\$	110,339,630
Liabilities		
Current liabilities		
Accounts payable	\$	4,296,400
Refundable advance		80,558,661
Due to BSEG		165,302
Deferred rent asset		(752,174)
Total current	\$	
		Non r

Bright Star Schools  
Statement of Activities  
June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Local Control Funding Formula	\$ 42,723,331	\$	r\$ 42,723,331
Federal revenue	9,733,326		9,733,326
Other state revenue	10,554,397		r10,554,397
PPP loan forgiveness revenue	5,846,300		5,846,300
Local revenues			
Other revenues	1,662,117		1,662,117
Contributions	116,586		116,586
Net assets released from restrictions	<u>112,890</u>	<u>(112,890)</u>	
Total support and revenues	<u>70,748,947</u>	<u>(112,890)</u>	<u>70,636,057</u>
Expenses			
Program services	56,392,632		r56,392,632
Management and general	<u>5,393,228</u>		<u>5,393,228</u>
Total expenses	<u>61,785,860</u>		<u>r61,785,860</u>
Change in Net Assets Before Non Operating Activity	<u>8,963,087</u>	<u>(112,890)</u>	<u>8,850,197</u>
Non Operating Activities			
Non Operating Expenses			
Transfer of assets to Bright Star Education Group	(1,652,873)		(1,652,873)
Proposition expenses	<u>(189,217)</u>		<u>(189,217)</u>
Total non operating activities	<u>(1,842,090)</u>		<u>(1,842,090)</u>
Change in Net Assets	7,120,997	(112,890)	7,008,107
Net Assets Beginning of Year, as restated	<u>18,950,444</u>	<u>112,890</u>	<u>19,063,334</u>
Net Assets End of Year	<u>\$ 26,071,441</u>	<u>\$</u>	<u>r\$ 26,071,441</u>

BrightStarSchools  
Statement of Functional Expenses  
Year Ended June 30, 2022

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	Program Services	Management and General	Total Expenses
Salaries	\$ 28,153,180	\$ 2,918,195	\$ 31,071,375
Employee benefits	3,175,957	316,169	3,492,126
Payroll taxes	6,393,525	205,120	6,598,645
Fees for services	4,506,052	349,851	4,855,903
Advertising and promotions	51,486	270,559	322,045
Office expenses	546,310	24,919	571,229
Information technology			





**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





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.

#### Donments



**Note 3 Note Receivable**

In December 2014, BSS extended a loan of \$1,652,873 to the Pacific Charter School Development Facility Project, which was presented as a long term receivable in the Statement of financial position. The note bears an interest rate of 1.50% and the financing was scheduled to mature on December 10, 2029. Principal payments were scheduled to begin in January 2022. During the 2022 fiscal year, the remaining note receivable was transferred to BSDQ115MLK LLC. As such, there is no remaining balance as of June 30, 2022.

**Note 4 Property and Equipment**

Property and equipment at June 30, 2022, consisted of the following:

Land	\$ 32,901,232
Building/leasehold improvements	637,236
Computer equipment	2,792,172
Work in progress	<u>16,906,604</u>
Subtotal	53,237,244
Less: accumulated depreciation	<u>(2,154,591)</u>
	<u><u>\$ 51,082,653</u></u>

During the year ended June 30, 2022, \$483,238 was charged to BSS for depreciation expense.

**Note 5 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 had signed a loan extension agreement and the loan matured on October 1, 2021. The note included a \$1,652,873 loan to the Pacific Charter School

## Note 6 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

SMC entered into a lease for the property located in Los Angeles, California. The term is from June 20, 2021, through June 1, 2060. Lease expense for the year ended June 30, 2022 was \$685,316.

SEC entered into a lease agreement for the property in Los Angeles, California to be used by SEC. The lease commenced on August 1, 2018 and ends on July 31, 2024. Lease expense for the year ended June 30, 2022, was \$198,400.

SEC entered into a lease agreement for the property in Los Angeles, California to be used by SEC. The lease commenced on July 1, 2020 and ends on June 30, 2025. Lease expense for the year ended June 30, 2022, was \$169,345.

BSSC entered into a lease agreement for the property in Los Angeles, California to be used by BSSC. The lease commenced on August 1, 2019, and ends on July 31, 2021, with a three, one year option periods from August 1, 2021, through July 31, 2023. Lease expense for the year ended June 30, 2022 was \$697,582.

VAE entered into a lease agreement for a property in Arleta, California to be used by VAE. The lease commenced on December 1, 2019 and ends June 30, 2021. An additional two year option was entered into ending June 30, 2023. Lease expense for the year ended June 30, 2022 was \$578,448.

VAM entered into a lease agreement for property in Los Angeles, California to be used by VAM. The lease commenced on December 1, 2021 and ends June 30, 2071. Lease expense for the year ended June 30, 2022 was \$229,795.

VAH entered into a lease agreement for property in Los Angeles, California to be used by VAH. The lease commenced on January 20, 2022 and ends June 30, 2071. Lease expense for the year ended June 30, 2022 was \$564,285.

RKM 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. A second amendment to lease was entered into on September 1, 2020, for an additional year ending June 30, 2022. Lease expense for the year ended June 30, 2022 was \$894,150.



Futureminimum leasepaymentsare asfollows:

YearEnding June30	SMCA	SECA	BSSCA	VAES	VAMS	VAHS	Total
2023	\$ 819,878	\$ 367,745	\$ 548,499	\$ 601,586	\$ 813,584	\$ 871,765	\$ 4,023,057
2024	819,593	185,879	43,209		814,060	863,689	2,726,430
2025	836,628	169,345		r	774,129	857,868	2,637,970
2026	808,567		r		462,211	852,551	2,123,329
2027	808,531		r		461,178	852,515	2,122,224
Thereafter	21,750,147		r		14,471,551	23,799,305	60,021,003
	<u>\$ 25,843,344</u>	<u>\$ 722,969</u>	<u>\$ 591,708</u>	<u>\$ 601,586</u>	<u>\$ 17,796,713</u>	<u>\$ 28,097,693</u>	<u>\$ 73,654,013</u>

BSSreceivesno subleaserevenue nor paysany contingentrentals associatedwith theseleases.

#### Note 7 Net Assets

Net assetswere releasedfrom donor restrictionsby incurringexpenses satisfyingthe restrictedpurpose.

Satisfactionof purposerestrictions	
Restricteddottery	<u>\$ 112,890</u>

#### Note 8 Employee Retirement Systems

Qualifiedemployeesare coveredunder multiple employerdefinedbenefit pensionplans maintainedby agenciesof the Stateof CaliforniaAcademicemployeesare membersof the CaliforniaState Teachers' Retirement00030covered um  
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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, 2020, 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/members/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 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 non-employer 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, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

**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

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On Behalf Payments





Supplementary Information  
June 30, 2022

**Bright Star Schools**

BrightStarSchools  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

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	Federal Financial Assistance Listing Number	Pass Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education Passed Through the California Department of Education			



BrightStarSchools  
Schedule of Average Daily Attendance  
Year Ended June 30, 2022

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Second Period

Annual



BrightStarSchools  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2022

	Final Report	
	Second Period Report	Annual Report
<b>Rise Kohyang Elementary School (RKES)</b>		
Regular ADA		
Transition kindergarten through second	98.02	97.97
Total Regular ADA	98.02	97.97
Classroom based ADA		
Transition kindergarten through second	97.19	97.34
Total Classroom Based ADA	97.19	97.34
<b>Rise Kohyang Middle School (RKMS)</b>		
Regular ADA		
Sixth	87.57	88.94
Seventh and eighth	233.40	234.96
Total Regular ADA	320.97	323.90
Classroom based ADA		
Sixth	85.29	87.01
Seventh and eighth	231.58	233.27
Total Classroom Based ADA	316.87	320.28
<b>Rise Kohyang High School (RKHS)</b>		
Regular ADA		
Ninth through twelfth	407.17	401.33
Total Regular ADA	407.17	401.33
Classroom based ADA		
Ninth through twelfth	399.25	394.37
Total Classroom Based ADA	399.25	394.37

	Second Period Report	Annual Report
Valor Academy Elementary School (VAES)		
Regular ADA		
Transitional kindergarten through third	270.87	269.62
Fourth	68.18	68.27
Total Regular ADA	339.05	337.89
Classroom		

**Stella Elementary Charter Academy (SECA)**

GradeLevel	198687 Minutes Requirement	20212022 Actual Minutes	Number of Minutes Credited Fourth 3A	Total Minutes Offered	Number of Days Traditional Calendar	Multitrack Calendar	Number of Days Credited Fourth 3A	Total Days Offered	Status
Kindergarten	36,000	54,874		54,874	175	r		175	Complied
Grades 1-3	50,400								
Grade 1		54,874		54,874	175	r		175	Complied
Grade 2		54,874		54,874	175	r		175	Complied
Grade 3		54,874		54,874	175	r		175	Complied
Grade 4	54,000	54,874		54,874	175		r	175	Complied

**Stella Middle Charter Academy (SMCA)**

GradeLevel	198687 Minutes Requirement	20212022 Actual Minutes	Number of Minutes Credited Fourth 3A	Total Minutes Offered	Number of Days Traditional Calendar	Multitrack Calendar	Number of Days Credited Fourth 3A	Total Days Offered	Status
Grades 5-6	54,000								
Grade 5		55,103		55,103	175	r		175	Complied
Grade 6		55,103		55,103	175	r		175	Complied
Grades 7-8	54,000								
Grade 7		55,103		55,103	175	r		175	Complied
Grade 8		55,103		55,103	175	r		175	Complied

Bright Star

Rise Kohyang Elementary School (RKES)

1986-87	2021-2022	Number
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Valor Academy Elementary School (VAES)

GradeLevel	198687 Minutes Requirement	20212022 Actual Minutes	Numberof MinutesCredited Fourth3A	Total Minutes Offered	Numberof Days		Numberof DaysCredited Fourth3A	TotalDays Offered	Status
					Traditional Calendar	Multitrack Calendar			
Kindergarten	36,000	55,910		55,910	175	r		175	Complied
Grades1-3	50,400								
Grade1		52,695		52,695	175	r		175	Complied
Grade2		54,880		54,880	175	r		175	Complied
Grade3		54,880		54,880	175	r		175	Complied
Grades4	54,000	54,880		54,880	175	r		175	Complied

Valor Academy Middle School (VAMS)

GradeLevel	198687 Minutes Requirement	20212022 Actual Minutes	Numberof MinutesCredited Fourth3A	Total Minutes Offered	Numberof Days		Numberof DaysCredited Fourth3A	TotalDays Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades5-6	54,000								
Grade5		58,625		58,625	175	r		175	Complied
Grade6		58,625		58,625	175	r		175	Complied
Grades7-8	54,000								
Grade7		58,625		58,625	175	r		175	Complied
Grade8		58,625		58,625	175	r		175	Complied

Valor Academy High School (VAHS)

GradeLevel	198687 Minutes Requirement	20212022 Actual Minutes	Numberof MinutesCredited Fourth3A	Total Minutes Offered	Numberof Days		Numberof DaysCredited Fourth3A	TotalDays Offered	Status
					Traditional Calendar	Multitrack Calendar			
Grades9-12	64,800								
Grade9		64,838		64,838	180	r		180	Complied
Grade10		64,838		64,838	180	r		180	Complied
Grade11		64,838		64,838	180	r		180	Complied
Grade12		64,838		64,838	180	r		180	Complied





Assets  
Current



BrightStarSchools  
Combining Statement of Financial Position  
Year Ended June 30, 2022

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	Stella Elementary Charter Academy	Rishohyang Elementary School	Business Office	Team Eliminations	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash	\$ 1,056,090	\$ 851,700	\$ 389,106	\$	\$ 17,134,136
Restricted cash	r			r	
Receivables					
Due from BSEG					
Intra entity receivable					
Prepaid expenses					
<b>Total current assets</b>					
<b>Non current assets</b>					
Security deposit					
Property and equipment, net					
<b>Total non current assets</b>					
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable					
Refundable advance					
Intra entity payable					
Due to BSEG					
Deferred rent asset					
<b>Total current liabilities</b>					
<b>Net Assets</b>					
Without donor restrictions					
<b>Total liabilities and net assets</b>					

BrightStarSchools  
Combining Statement of Activities  
Year Ended June 30, 2022

	General Support	Stella Middle Charter Academy	Bright Star Secondary Charter Academy	Risako Hyang Middle School
Net Assets without Donor Restriction				
Support and Revenues				
Local Control Funding Formula	\$	\$ 5,134,176	\$ 6,961,219	\$ 3,901,656
Federal revenue	r	1,374,032	1,440,583	1,050,258
Other State revenue	r	1,715,914	1,290,568	1,216,350
PPP loan forgiveness revenue	r	292,315	292,315	1,169,260
Local revenues				
Other revenue	925	125,300	262,629	170,991
Contributions	27,367	335,190	152,000	82,989
Net assets released from restrictions	r	16,172	16,340	13,917
Total revenues	28,292	8,993,099	10,415,654	7,605,421
Expenses				
Program services	28,291	7,662,189	8,805,570	5,536,894
Management and general	r	749,805	944,149	688,729
Total expenses	28,291	8,411,994	9,749,719	6,225,623
Change in Net Assets Without Donor Restriction	1	581,105	665,935	1,379,798
Net Assets with Donor Restriction				
Net assets release from restriction	r	(16,172)	(16,340)	(13,917)
Non Operating Activities				
Non Operating Expenses				
Transfer of Assets Operating Expenses				

Donor Restricted Assets and Liabilities

Net Assets without Donor Restriction

Support and Revenues

Local Control Funding Formula

Federal revenue

Other State revenue

PPA loan forgiveness revenue

Local revenues

Other revenue

Contributions

Net assets released from restrictions

Total revenues

Expenses

Program services

Management and general

Total expenses

Change in Net Assets Without

Donor Restriction

Net Assets with Donor Restriction

Net assets released from restriction

Non Operating Activities

Non Operating Expenses

Transfer of Assets to (Assd/TT1 1 .8333 0 TD 0 Tc <0003>Tj /TT2 11 Tf .22D -.0003 Tc (O2(Schools)Tj /TT1 1 Tf 3.0853345 TD

Change (Assets)Tj /TT1 1 Tf 2.5933 0 TD 0 Tc <0003>Tj /TT2 1 Tf .2267 0 TD -.000Tc (in)ithout,

Assets



BrightStarSchools  
CombiningStatementof FunctionaExpenses  
YearEndedJune30,2022

	GeneralSupport		StellaMiddle CharterAcademy		BrightStarSecondary CharterAcademy					
	Program Services	Management andGeneral	Program Services	Management andGeneral	Program Services	Management andGeneral				
Salaries	\$	r	\$	3,743,571	\$	r	\$	4,609,651	\$	r
Employeebenefits		90		424,038		r		475,609		r
Payrolltaxes		r		1,039,381		r		985,115		r
Feesforservices		r		546,877		r		369,862		r
Advertisingandpromotions		r		5,212		r		7,559		r
Officeexpenses		r		86,319		r		82,102		r
Informationtechnology		r		173,498		r		271,426		r
Occupancy		416		790,813		r		747,699		r
Travel(credit)		r		297		r		1,800		r
Interest		r				r		r		r
Depreciationandamortization		20,919		103,790		r		40,018		r
Insurance		r		76,809		r		53,570		r
Otherexpenses		r				r		2,000		r
Grantsbackto schools		r				r		r		r
Equipment		r		16,097		r		60,244		r
Professionaldevelopment		4,805		42,172		r		54,396		r
Professionalandbusinessfees		1,875		36,117		r		42,913		r
Studentservice		r		111,736		r		503,787		r
Fundraisingexpense		r		106		r		10,440		r
Instructionalmaterials		r		133,523		r		285,244		r
Legalandaudit		r		7,424		r		8,773		r
Communication		r		77,327		r		29,860		r
Utilities		186		103,718		r		514		r
Managementfees		r		143,364		749,805		162,988		944,149
Total	\$	28,291	\$	7,662,189	\$	749,805	\$	8,805,570	\$	944,149

Bright Star Schools  
 Combining Statement of Functional Expenses  
 Year Ended June 30, 2022

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	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General
Salaries	\$ 2,587,409	\$	\$ 3,517,023	\$	\$ 4,054,200	\$
Employee benefits	302,407		394,594		448,020	
Payroll taxes	594,092		819,446		903,201	
Fees for services	454,845		521,074		610,420	
Advertising						

BrightStarSchools  
CombiningStatementof FunctionaExpenses  
YearEndedJune30,2022

	RiseKohyang HighSchool		ValorAcademy ElementarySchool		StellaElementary CharterSchool	
	Program Services	Management andGeneral	Program Services	Management andGeneral	Program Services	Management andGeneral
Salaries	\$ 3,412,007	\$	\$ 3,184,244	\$	\$ 1,890,542	\$
Employeebenefits	401,845		394,860		214,663	
Payrolltaxes	760,994		641,149		377,783	
Feesforservices	437,817		627,858		632,816	
Advertisingandpromotions	4,181		4,076	r	8,830	r
Officeexpenses	58,970		42,288		54,374	
Informationtechnology	150,080		121,449		50,691	
Occupancy	887,370		581,844		391,678	
Travel(credit)	r		115	r	6	r
Interest	r			r	r	r
Depreciationandamortization	26,723		7,405		73,514	r
Insurance	52,659		39,509		24,456	
Otherexpenses	8,000			r	r	r
Grantsbackto schools	r			r	r	r
Equipment	17,467		15,795		50,450	
Professionaldevelopment	36,243		35,938		23,530	
Professionalandbusinessfees	26,694		24,649		15,655	
Studentservice	100,608		18,974		15,161	
Fundraisingexpense	1,159		28,940	r	5,502	
Instructionalmaterials	224,537		112,677		31,372	
Legalandaudit	6,946		18,562	r	19,651	
Communication	48,600		11,000		67,489	
Utilities	130,470		(1,769)		802	r
Managementfees	150,174	851,596	119,320	702,014	69,499	473,703
Total	<u>\$ 6,943,544</u>	<u>\$ 851,596</u>	<u>\$ 6,028,383</u>	<u>\$ 702,014</u>	<u>\$ 4,018,464</u>	<u>\$ 473,703</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, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform*

### 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, 2022

**Bright Star Schools**



Our consideration of internal control was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been

  
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Independent Auditor's Report on Compliance for the 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 the Major Federal Program

Opinion on the 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 program for the year ended June 30, 2022. BSS major federal program is 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 program for the year ended June 30, 2022.

*Basis for Opinion on the 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are described in the accompanying schedule of findings and questioned costs.

### *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 provide provisions provisions provisions



not be prevented, or detected and corrected, on a timely basis. A

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LLI, Inc. *LLI, Inc.*



## 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 2021-2022 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, 2022.

#### *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, and the 2021-2022 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.

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 *2021-2022 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

2021 2022K 12 Audit Guide Procedures

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Procedures  
Performed

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School Districts, County Offices of Education, and Charter Schools  
California Clean Energy Jobs Act

No, see below

## 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

  
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Schedule of Findings and Questioned Costs  
June 30, 2022

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Nonreported
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	Nonreported
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
COVID-19 Elementary and Secondary School Emergency Relief III (ESSEER) Fund	84.425D
COVID-19 Elementary and Secondary School Emergency Relief III (ESSEER) Fund	84.425U
COVID-19 Expanded Learning Opportunities (ELO) Grant GEER	84.425C
COVID-19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C

Dollar threshold used to distinguish between Type A and Type B programs	TTj30Gj30J0
Auditee qualified as low risk auditee?	Yes

State Compliance

Internal control over state compliance for programs: Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Nonreported
Type of auditor's report issued on compliance for programs	Unmodified

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with Government Auditing Standards. The finding has been coded as follows:

Five Digit Code	AB3627 Finding Type
30000	Internal Control

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.



Repeat Finding

No.

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.

Corrective Action Plan and Views of Responsible Officials

BSS has been, and will remain, committed to strengthening the management and review of its financial books on an ongoing basis to ensure that its books remain accurate and in accord with all relevant accounting standards.

Nonereported.

Nonereported.

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