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**BRIGHT STAR SCHOOLS**

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**June 30, 2015**



VIGENTIA GROUP CENTRAL

2210 E. 1st. Route 60,

550.5422

915 10th. Boulevard, Los Angeles, CA 90017. ♦ Tel. 213.

Email [INFO@VLSLLP.COM](mailto:INFO@VLSLLP.COM) ♦ Web [WWW.VLSLLP.COM](http://WWW.VLSLLP.COM)

Board of Directors  
Bright Star Schools

**Opinion**

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2015, 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**

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the School’s financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 a report dated November 15, 2015 on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** considering the School’s internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
November 15, 2015

**BRIGHT STAR SCHOOLS**

**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2015**

	<u>SMCA</u>	<u>BSSCA</u>	<u>Rise</u>	<u>VMS</u>	<u>VHS</u>	<u>Support</u>	<u>Total</u>
<b><u>ASSETS</u></b>							
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents	\$ 260,820	\$ 244,628	\$ 133,366	\$ 238,811	\$ 151,238	\$ 303,833	\$ 1,332,696
Investments - temporarily restricted	13,642,999	-	-	-	-	-	13,642,999
Accounts receivable - federal and state	564,035	618,433	451,341	634,243	356,533	-	2,624,585
Accounts receivable - other	-	-	65,571	40,000	-	-	105,571
Prepaid expenses and deposits	21,750	22,429	51,709	59,820	-	-	155,708
Intracompany receivable	<u>1,270,932</u>	<u>1,146,661</u>	<u>185,906</u>	<u>607,641</u>	<u>395,155</u>	<u>-</u>	<u>3,606,295</u>
Total current assets	<u>15,760,536</u>	<u>2,032,151</u>	<u>887,893</u>	<u>1,580,515</u>	<u>902,926</u>	<u>303,833</u>	<u>21,467,854</u>
<b>LONG-TERM ASSETS</b>							
Long-term accounts receivable	-	-	-	1,612,873	-	-	1,612,873
Property, plant and equipment, net	<u>125,342</u>	<u>42,788</u>	<u>14,504</u>	<u>23,495</u>	<u>-</u>	<u>-</u>	<u>206,129</u>
Total long-term assets	<u>125,342</u>	<u>42,788</u>	<u>14,504</u>	<u>1,636,368</u>	<u>-</u>	<u>-</u>	<u>1,819,002</u>
Total assets	<u>\$ 15,885,878</u>	<u>\$ 2,074,939</u>	<u>\$ 902,397</u>	<u>\$ 3,216,883</u>	<u>\$ 902,926</u>	<u>\$ 303,833</u>	<u>\$ 23,286,856</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>							
<b>CURRENT LIABILITIES:</b>							
Accounts payable	\$ 57,821	\$ 194,678	\$ 44,687	\$ 76,302	\$ 1,752	\$ -	\$ 375,240
Payroll liabilities	39,888	-	-	20,469	-	-	60,357
Intracompany payable	914,154	1,139,572	396,687	692,258	316,131	147,493	3,606,295
Payable to BSEG	<u>203,350</u>	<u>85,446</u>	<u>80,365</u>	<u>422,707</u>	<u>141,472</u>	<u>-</u>	<u>933,340</u>
Total current liabilities	<u>1,215,213</u>	<u>1,419,696</u>	<u>521,739</u>	<u>1,211,736</u>	<u>459,355</u>	<u>147,493</u>	<u>4,975,232</u>
<b>LONG-TERM LIABILITIES:</b>							
Loans payable	<u>6,764,660</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>7,764,660</u>
Total long-term liabilities	<u>6,764,660</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>7,764,660</u>
Total liabilities	<u>7,979,873</u>	<u>1,419,696</u>	<u>521,739</u>	<u>2,211,736</u>	<u>459,355</u>	<u>147,493</u>	<u>12,739,892</u>
<b>NET ASSETS:</b>							
Unrestricted - undesignated	1,141,345	655,243	380,658	1,005,147	443,571	156,340	3,782,304
Temporarily restricted	<u>6,764,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,764,660</u>
Total net assets	<u>7,906,005</u>	<u>655,243</u>	<u>380,658</u>	<u>1,005,147</u>	<u>443,571</u>	<u>156,340</u>	<u>10,546,964</u>
Total liabilities and net assets	<u>\$ 15,885,878</u>	<u>\$ 2,074,939</u>	<u>\$ 902,397</u>	<u>\$ 3,216,883</u>	<u>\$ 902,926</u>	<u>\$ 303,833</u>	<u>\$ 23,286,856</u>

The accompanying notes are an integral part of these financial statements.

**BRIGHT STAR SCHOOLS**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

**BRIGHT STAR SCHOOLS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2015**

SMCA

The accompanying notes are an integral part of these financial statements.

**BRIGHT STAR SCHOOLS**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2015**

Salaries and wages	\$ 9,598,558	\$ 684,686	\$ 10,283,244
Pension expense	654,028	50,237	704,265
Other employee benefits	967,681	74,329	1,042,010
Payroll taxes	281,162	21,596	302,758
Management fees	173,645	2,309,180	2,482,825
Legal expenses	-	263,991	263,991
Instructional materials	1,497,794	-	1,497,794
Other fees for services	1,591,181	-	1,591,181
Advertising and promotion	17,316	-	17,316
Office expenses	180,982	39,996	

The accompanying notes are an integral part of these financial statements.



**BRIGHT STAR SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities – Bright Star Schools (the School) is a California non-profit public benefit corporation. Bright Star Schools was incorporated in November 2002 as Stella Middle Charter Academy and was renamed in 2005.

The School is comprised of:

- x Stella Middle Charter Academy (SMCA)
- x Bright Star Secondary Charter Academy (BSSCA)
- x

**BRIGHT STAR SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Net Asset Classes** The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the School are defined as:

- x Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.
- x Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The School's temporarily net assets as of June 30, 2015 were comprised of \$6,764,660 received for facilities acquisition and development (see Note 5).
- x Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

**Receivables** Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2015. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

**Property, Plant and Equipment** Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

**Contributed Assets and Services** Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

**Investments** Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities if they are material.

**Property Taxes** Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

**BRIGHT STAR SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Compensated Absences** Accumulated unpaid employee paid time off (PTO) are recognized as a liability of the School. The current portion of the liability, if material, is recognized at year-end. The entire amount of the liability is \$39,888, included under payroll liabilities on the statement of financial position. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation and sick time.

**Revenue Recognition** Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

**Contributions** – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported 0 hemeorarily restric

**BRIGHT STAR SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 2: CONCENTRATION OF CREDIT RISK**

The School maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 3: INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments are stated at fair value and are measured on a recurring basis. Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 - Quoted prices in an active market for identical assets.

Level 2 - Quoted prices for similar assets and market-corroborated inputs.

Level 3 - The School's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Fair values of investments as of June 30, 2015 were as follows:

Fixed income (Level 1)	<u>\$ 13,642,999</u>
------------------------	----------------------

Returns on investments have been designated for BSEG as part of a re-structuring agreement between Bright Star Schools and BSEG.

**NOTE 4: PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings and equipment in excess of \$5,000. Depreciation expense was \$168,344 for the year ended June 30, 2015.

The components of property, plant and equi

**BRIGHT STAR SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 5: LONG-TERM LIABILITIES**

**Office of Public School Construction**

In June 2008, the Office of Public School Construction (OPSC) approved SMCA's application for a Charter School Facility Program (CSFP) preliminary apportionment of \$24,426,544 to purchase and/or construct a real property as a permanent middle school facility to accommodate a maximum of 520 students for grades 5 through 8. This apportionment is contingent upon SMCA paying its 50% local matching share obligation (funding agreement) by making payments to the State pursuant to the agreement. In January 2009, SMCA obtained a funding agreement with the State of California.

SMCA will repay the State \$11,713,272 by making either annual or semiannual installments starting at July 1 after one full year of the Project being opened and having commenced its educational program. The loan matures in 30 years and requires an assumed interest rate determined by the rate paid on monies in the Pooled Money Investment Account described in the California Government Code 16840 et seq.

As of June 30, 2013, SMCA has received CSFP advanced apportionments of \$12,519,144 from OPSC during fiscal year ended June 30, 2011, and \$1,010,176 from Charter School Facility Administration during fiscal year ended June 30, 2010. SMCA recognized \$6,764,660 as long term debt, and \$6,764,660 as temporarily restricted net assets. At June 30, 2015 SMCA is still looking for a site within a 5 mile radius of its current facility at 2636 S. Mansfield Avenue, Los Angeles.

**Note Payable**

In December 2014, the School 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 VMS. The note bears an interest rate of 1.2% and matures on November 1, 2020. The note includes a \$1,612,873 loan to the Pacific Charter School Development Facility Project, which is presented as a long-term receivable in the statement of financial position. The financing matures on November 1, 2020. The loan balance as of June 30, 2015 was \$1,000,000.

**NOTE 6: LINE OF CREDIT**

In November 2012, the School obtained an unsecured line of credit of \$1 million from City National Bank (CNB). The line of credit bears a variable interest rate equal to CNB's prime rate plus 2.50%. As of June 30, 2015 the School had no outstanding balance.

**BRIGHT STAR SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 7: COMMITMENT**

BSSCA entered into a lease agreement with Los Angeles Unified School District (LAUSD) for the property located at 5431 W. 98th Street, Los Angeles, California. The agreement commenced in August 2009 and carries a term that coincides with BSSCA's charter. The agreement does not require BSSCA to pay a lease amount for the use of the property, but instead BSSCA pays a Pro Rata Share Charge for the maintenance of the facility and other services. This Pro Rata Share Charge is negotiated annually and therefore cannot be estimated for future years.

VHS entered into a single year co-location agreement with Los Angeles Unified School District for the property located at 8015 Van Nuys Blvd., Los Angeles, California. The agreement does not require VHS to pay a lease amount for the use of the property, but instead VHS pays a Pro Rata Share Charge for the maintenance of the facility and other services. In April 2015 another single year co-location agreement was executed. For fiscal year 2015-16 the Pro Rata Share estimated is \$103,823.

**NOTE 8: EMPLOYEE RETIREMENT**

**Multi-employer Defined Benefit Pension Plans**

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the State of California.

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 the School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

**State Teachers' Retirement System (STRS)**

**Plan Description**

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2014, total plan net assets are \$191 billion, the total actuarial present value of accumulated plan benefits is \$287 billion, contributions from all employers totaled \$2.3 billion, and the plan is 68.5% funded. The School did not contribute more than 5% of the total contributions to the plan.

**BRIGHT STAR SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 8: EMPLOYEE RETIREMENT**

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://www.calstrs.com).

**Funding Policy**

Active plan members are required to contribute 8.15% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer

**BRIGHT STAR SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015**

**NOTE 9: OPERATING LEASES**

Future minimum lease payments are as follows:

Year Ended June 30,	SMCA	Rise	VMS	Total
2016	\$ 143,500	\$ 500,724	\$ 852,528	\$ 1,496,752
2017	149,500	554,376	860,652	1,564,528
2018	155,500	572,256	860,652	1,588,408
2019	13,000	333,816	869,184	1,216,000
2020	-	-	649,932	649,932
Thereafter	-	-	3,444,683	3,444,683
Total	<u>\$ 461,500</u>	<u>\$ 1,961,172</u>	<u>\$ 7,537,631</u>	<u>\$ 9,960,303</u>

**NOTE 10: RELATED PARTY TRANSACTIONS**

Bright Star Education Group (BSEG) is a non-profit corporation organized to provide back office services to Bright Star Schools and to manage the growth of the network of schools. As of June 30, 2015, the School paid \$2,309,179 of management fees and \$42,396 of other fees to BSEG. The School has a related party liability as of June 30, 2015 of \$933,340 related to expenses paid by BSEG for the School. During the year BSEG also donated an in-kind contribution of facility maintenance and repair expenses of \$918,364.

**NOTE 11: CONTINGENCIES**

The School has received state and federal funds for specific purposes that are subject to review and audit



**SUPPLEMENTARY INFORMATION**

**BRIGHT STAR SCHOOLS**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
For the Year Ended June 30, 2015**

Bright Star Schools is a non-profit public benefit corporation and operates five charter schools approved by the Los Angeles School District as follows:

- x Stella Middle Charter Academy (SMCA) charter number 0535 – established in 2003
- x Bright Star Secondary Charter Academy (BSSCA) charter number 0826 – established in 2006
- x Rise Kohyang Middle School (Rise) charter number 1315 – established in 2012
- x Valor Middle School (VMS) charter number 1095 – established in 2009
- x

**BRIGHT STAR SCHOOLS**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**For the Year Ended June 30, 2015**

	<b>2014-15 Minutes</b>				
	Requirement	Reduced	Actual	Days	Status
<b>SMCA:</b>					
Grade 5	54,000	52,457	67,785	176	In compliance
Grade 6	54,000	52,457	67,785	176	In compliance
Grade 7	54,000	52,457	63,180	176	In compliance
Grade 8	54,000	52,457	63,180	176	In compliance
<b>BSSCA:</b>					
Grade 9	64,800	62,949	66,240	176	In compliance
Grade 10	64,800	62,949	66,240	176	In compliance
Grade 11	64,800	62,949	66,240	176	In compliance
Grade 12	64,800	62,949	66,240	176	In compliance
<b>RISE:</b>					
Grade 6	54,000	52,457	66,488	176	In compliance
Grade 7	54,000	52,457	66,488	176	In compliance
<b>VMS:</b>					
Grade 5	54,000	52,457	70,015	176	In compliance
Grade 6	54,000	52,457	70,015	176	In compliance
Grade 7	54,000	52,457	71,940	176	In compliance
Grade 8	54,000	52,457	71,940	176	In compliance
<b>VHS:</b>					
Grade 9	64,800	62,949	69,488	176	In compliance
Grade 10	64,800	62,949	69,488	176	In compliance

See auditor's report and the notes to the supplementary information.

**BRIGHT STAR SCHOOLS**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
For the Year Ended June 30, 2015**

	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
<b>SMCA:</b>				
Grades 5 through 6	238.70	238.70	236.44	236.44
Grades 7 through 8	<u>297.11</u>	<u>297.11</u>	<u>294.72</u>	<u>294.72</u>
Subtotal	<u>535.81</u>	<u>535.81</u>	<u>531.16</u>	<u>531.16</u>
<b>BSSCA:</b>				
Grades 9 through 12	<u>522.99</u>	<u>522.99</u>	<u>514.49</u>	<u>514.49</u>
Subtotal	<u>522.99</u>	<u>522.99</u>	<u>514.49</u>	<u>514.49</u>
<b>RISE:</b>				
Grade 6	104.24	104.24	104.72	104.72
Grade 7	<u>205.66</u>	<u>205.66</u>	<u>203.46</u>	<u>203.46</u>
Subtotal	<u>309.90</u>	<u>309.90</u>	<u>308.18</u>	<u>308.18</u>
<b>VMS:</b>				
Grades 5 through 6	241.38	241.38	239.27	239.27
Grades 7 through 8	<u>228.31</u>	<u>228.31</u>	<u>227.59</u>	<u>227.59</u>

See auditor's report and the notes to the supplementary information.

**BRIGHT STAR SCHOOLS**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2015**

	<u>SMCA</u>	<u>BSSCA</u>	<u>Rise</u>	<u>VMS</u>	<u>VHS</u>	<u>Total</u>
June 30, 2015 Annual Financial Report						
Fund Balances (Net Assets)	\$ 7,953,751	\$ 648,153	\$ 284,179	\$ 970,661	\$ 463,890	\$ 10,320,634
Adjustments and Reclassifications:						
Increasing (Decreasing) the Fund Balance (Net Assets):						
Accounts receivable	(28,486)	14,471	255,361	1,679,718	(20,476)	1,900,588
Prepaid expenses and desposits	21,750	(7,089)	51,709	(1,568,256)	-	(1,501,886)
Intracompany receivable	892,405	1,146,661	185,906	607,641	316,131	3,148,744
Property, plant and equipment, net	(19,916)	(8,034)	-	7,848	-	(20,102)
Accounts payable	<u>(913,499)</u>	<u>(1,138,919)</u>	<u>(396,497)</u>	<u>(692,465)</u>	<u>(315,974)</u>	<u>(3,457,354)</u>
Net Adjustments and Reclassifications	<u>(47,746)</u>	7,090				

See auditor's report and the notes to the supplementary information.



**BRIGHT STAR SCHOOLS**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2015**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of the Educational Code.

**Schedule of Average Daily Attendance**

Average daily attendance is a measurement of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

**Reconciliation of Annual Financial Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

**Schedule of Expenditures of Federal Awards**

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the accrual basis of accounting.



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

Board of Directors





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

Board of Directors  
Bright Star Schools  
Los Angeles, CA

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Bright Star Schools (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The School's 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and mate

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

**Report on Internal Control Over Compliance**

Management of the School 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 the School’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

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors  
Bright Star Schools  
Los Angeles, CA

We have audited Bright Star Schools's (the School) compliance with the types of compliance requirements described in the 2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel for the year ended June 30, 2015. The School's State compliance requirements are identified in the table below.

### Management's Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. 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 2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School's compliance.

### Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of	

## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

### **Opinion on State Compliance**

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

### **Purpose of this Report**

**BRIGHT STAR SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	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 510(a) of (Circular A-133)?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A Basic Grants

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**BRIGHT STAR SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015**

All audit findings must be identified as one or more of the following twelve categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for June 30, 2015.

**BRIGHT STAR SCHOOLS**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.