



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)

Independent Auditor's Report 1

Financial Statements

 Statement of Financial Position 3

 Statement of Activities.....

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

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 in accordance with the standards of the PCAOB. We did not audit the financial statements of the BSS for the year ended June 30, 2020, and we do not express an opinion on those financial statements.



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	<u>\$ 46,768,957</u>	<u>\$ 4,339,545</u>	<u>\$ 51,108,502</u>

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

Property and Equipment

Property and equipment

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>\$ 26,963,397</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:

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			

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

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	224,242

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments		

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



Supplementary Information
June 30, 2021

Bright Star Schools

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

	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	50,701
Subtotal Education Stabilization Fund			1,178,974
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 Lo (s)3.7 (e)n.84.cti			

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

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

	SMCA	BCCSA	RKMS	VAMS	VAHS
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>
	RKHS	VAES	SECA	RKES	Total
Net Assets					
Balance, June 30, 2021, Unaudited Actuals	\$ 839,248	\$ 561,969	\$ 138,674	\$ 95,619	\$ 16,541,263
Decrease in					
Receivables	-	-	(28,857)	-	-

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	6,769,099	7,148,924	4,910,444	2,370,423
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	27,901	752,122	103,010	1,710,688
	\$ 6,797,000	\$ 7,901,046	\$ 5,013,454	\$ 4,081,111
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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			

Stella Elementary Charter	Rise Kohyang Elementary	Business
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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	131,318	7,945,957	8,769,939	6,420,725
Expenses				
Program services	60,120	6,569,401	7,295,601	5,749,171
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Valor Academy Middle School	Valor Academy	Rise Kohyang	Valor Academy Elementary
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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



**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

2

Independent Auditor's Report on State Compliance

Governing Board
Bright Star Schools

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:

	<u>Procedures Performed</u>
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

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because BSS





Schedule of Findings and Questioned Costs
June 30, 2021

Bright Star Schools

FINANCIAL STATEMENTS

Type of auditor's report issued

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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.