

Financial Statements

June 30, 2025

## Bright Star Schools

Stella Elementary Charter Academy (SECA)

(Charter Number 1866)

Stella Middle Charter Academy (SMCA)

(Charter Number 0535)

Stella High Charter Academy (SHCA)

(Charter Number 0826)

Rise Kohyang Elementary School (RKES)

(Charter Number 1927)

Rise Kohyang Middle School (RKMS)

(Charter Number 1315)

Rise Kohyang High School (RKHS)

(Charter Number 1786)

Valor Academy Elementary School (VAES)

(Charter Number 1787)

Valor Academy Middle School (VAMS)

(Charter Number 1095)

Valor Academy High School (VAHS)

(Charter Number 1539)

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Bright Star Schools (BSS) (a California Nonprofit Public Benefit Corporation), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Bright Star Schools as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BSS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BSS' ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures

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

***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency Organization Structure but does not include the financial statements and our auditor’s report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2026 on our consideration of BSS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BSS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BSS' internal control over financial reporting and compliance.



Ontario, California  
April 27, 2026

Bright Star Schools  
Statement of Financial Position  
June 30, 2025

Assets	
Current assets	
Cash	\$ 18,633,673
Restricted cash	28,092,686
Investment	16,041,917
Receivables	9,607,740
Prepaid expenses	<u>684,618</u>
Total current assets	<u>73,060,634</u>
Non-current assets	
Security deposit	115,634
Note receivable	17,660,000
Property and equipment	115,939,976
Operating lease right-of-use asset	<u>47,481,735</u>
Total non-current assets	<u>181,197,345</u>
Total assets	<u><u>\$ 254,257,979</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 6,020,077
Refundable advance	45,988,910
Current portion of operating lease liability	2,889,428
Current portion of proposition construction loan	<u>685,609</u>
Total current liabilities	<u>55,584,024</u>
Long-term liabilities	
Operating lease liability - less current portion	41,106,875
Proposition construction loan - less current portion	10,307,865
Notes payable, less current portion	<u>40,680,625</u>
Total long-term liabilities	<u>92,095,365</u>
Total liabilities	<u>147,679,389</u>
Net Assets	
Without donor restrictions	100,009,491
Without donor restrictions - board designated	<u>6,569,099</u>
Total net assets	<u>106,578,590</u>
Total liabilities and net assets	<u><u>\$ 254,257,979</u></u>

Bright Star Schools  
Statement of Activities  
June 30, 2025

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	Without Donor Restrictions
Support and revenues	
Local Control Funding Formula	\$ 53,858,039
Federal revenues	3,232,358
State revenues	
Other state revenues	20,919,050
Proposition 1D revenues	32,410,044
Employee retention credit revenue	2,950,476
Contributions	73,797
Interest and dividend revenue	1,398,465
Unrealized gain on investment	102,543
Lease revenue	2,500
Local revenue	
Other revenues	2,056,483
Total support and revenues	117,003,755
Expenses	
Program services	69,359,637
Management and general	12,872,404
Total expenses	82,232,041
Change in Net Assets	34,771,714
Net Assets, Beginning of Year	71,806,876
Net Assets, End of Year	\$ 106,578,590

Bright Star Schools  
Statement of Functional Expenses  
Year Ended June 30, 2025

	Program Services	Management and General	Total Expenses
Salaries	\$ 36,247,420	\$ 4,120,002	\$ 40,367,422
Employee benefits	4,098,910	479,003	4,577,913
Payroll taxes	8,479,585	311,632	8,791,217
Fees for services	3,986,088	3,338,354	7,324,442
Advertising and promotions	-	421,543	421,543
Office expenses	-	153,390	153,390
Occupancy	5,460,282	525,469	5,985,751
Travel and conference	758,996	-	758,996
Interest	-	1,307,680	1,307,680
Depreciation and amortization	637,088	-	637,088
Insurance	764,195	11,285	775,480
Other expenses	2,963,512	1,663,505	4,627,017
Equipment	1,087,656	-	1,087,656
Special education	791,144	-	791,144
Instructional materials	4,029,912	-	4,029,912
Nutrition	54,849	-	54,849
District oversight fees	-	540,541	540,541
	<u>\$ 69,359,637</u>	<u>\$ 12,872,404</u>	<u>\$ 82,232,041</u>
Total	<u>\$ 69,359,637</u>	<u>\$ 12,872,404</u>	<u>\$ 82,232,041</u>

Bright Star Schools  
Statement of Cash Flows  
Year Ended June 30, 2025

Operating Activities	
Change in net assets	\$ 34,771,714
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Depreciation and amortization expense	637,088
Realized and unrealized gain on operating investments	(102,543)
Changes in operating assets and liabilities	
Receivables	4,189,361
Prepaid expenses	125,996
Security deposits	(7,288)
Accounts payable	2,629,016
Refundable advance	(49,340,611)
Operating lease assets and liabilities	(919,964)
Due to BSEG	(6,150)
	<u>(8,023,381)</u>
Net Cash Used for Operating Activities	<u>(8,023,381)</u>
Investing Activities	
Purchases of investments	(20,781,378)
Proceeds from sales of investments	4,842,004
Purchases of property and equipment	(18,885,286)
Issuance of note receivable	(17,660,000)
	<u>(52,484,660)</u>
Net Cash Used for Investing Activities	<u>(52,484,660)</u>
Financing Activities	
Proceeds from issuance of notes payable	40,770,000
Proceeds from issuance of proposition construction loan	10,993,474
Notes payable issuance costs	(89,375)
Principal payments on notes	(2,488,046)
	<u>49,186,053</u>
Net Cash from Financing Activities	<u>49,186,053</u>
Net Change in Cash and Restricted Cash	(11,321,988)
Cash and Restricted Cash, Beginning of Year	<u>58,048,347</u>
Cash and Restricted Cash, End of Year	<u>\$ 46,726,359</u>
Cash	\$ 18,633,673
Cash restricted for construction	<u>28,092,686</u>
Total cash and restricted cash	<u>\$ 46,726,359</u>
Supplemental Cash Flow Disclosure	
Cash paid during the year in interest	<u>\$ 1,286,809</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' overall related administrative activities.

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

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

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

### **Basis of Accounting**

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

## **Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net accumulated depreciation. BSS’ policy is to designate donor funds without restriction at the discretion of the board of directors. As of June 30, 2025, BSS has designated net assets for a specific purpose of employee retention and recruiting.

*Net Assets with Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. BSS did not have net assets with donor restrictions for the year ended June 30, 2025.

## **Restricted Cash**

Restricted cash in the amount of \$28,092,686 represents the remaining balance of funds received which are limited in use for the payment of costs of constructing and operating new facilities resulting from proceeds of the proposition 1D grants, augmentation grants and notes payables.

## **Concentration of Credit Risk**

BSS maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2025, BSS had approximately \$62,026,179, in excess of FDIC-insured limits.

## **Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment return/(loss) is reported in the consolidated statement of activities and consists of dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

## **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, 2025 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.

Notes receivable represents amounts from uncollateralized third-party obligations due under extended payments terms exceeding one year. The notes carry an interest rate of 1.3059%, with payments applied first to unpaid interest balances and any remainder to the principal balance. The Organization evaluates the collectability of the balances based upon historical experience and the specific circumstances of individual notes. No allowance for doubtful accounts has been established, as the Organization deems all amounts to be fully collectible.

### **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, 2025.

### **Right-of-Use Leased Assets and Liabilities**

Right-of-use leased assets and the related liabilities are recognized at the lease commencement date and represent the Organization's right-of-use an underlying asset and lease obligations for the lease term. Right-of-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-of-use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

### **Revenue and Revenue Recognition**

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

A portion of BSS' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when BSS has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At June 30, 2025 conditional contributions approximating \$6,750,710, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

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

#### **Debt Issuance Costs**

Debt issuance costs are amortized over the period the related obligation is outstanding using the effective interest method. Debt issuance costs are included within notes payable in the consolidated statement of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

#### **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2025.

#### **Functional Allocation of Expenses**

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities such as management and general activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include occupancy which are allocated on managements estimates, as well as salaries and wages, benefits, payroll taxes, professional services, food and catering, software, and small equipment, and other, which are allocated on the basis of estimates of time and effort.

### Income Taxes

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

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

### Estimates

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

### Financial Instruments and Credit Risk

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

### 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	\$ 18,633,673
Receivables	<u>9,607,740</u>
	<u>\$ 28,241,413</u>

As part of BSS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, BSS has committed lines of credit in the amount of \$10,000,000, which it could draw upon. Occasionally, the board will designate a portion of any operating surplus to its operating reserve. As of June 30, 2025, no reserves are recorded.

### **Note 3 - Note Receivable**

On August 15, 2024, BSS entered into a Fund Loan Agreement with Twain Investment Fund 794, LLC (Borrower). The loan is evidenced by a promissory note in the original principal amount of \$17,660,000, which is reported as a note receivable in the accompanying statement of financial position. The note bears interest at a fixed rate of 1.3059% per annum, which is payable quarterly. The note matures on August 15, 2059. The note receivable is secured by a pledge of the Borrower's assets, including the Borrower's pledged collateral and related rights and interests. Management has evaluated the note receivable for collectability and believes it is fully collectible as of the reporting date. Accordingly, no allowance for credit losses has been recorded. Interest income recognized on notes receivable was \$203,075, for the year ended June 30, 2025.

### **Note 4 - Fair Value Measurements and Disclosures**

The Organization has determined the fair value of certain assets in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset in the most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets that can be accessed at the reporting date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset, either directly or indirectly. These included quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs. Level 3 inputs are unobservable inputs related to the asset. In these situations, inputs are developed using the best information in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of investments are classified within Level 1 because they are comprised of mutual funds with readily determinable fair values based on daily redemption values. Certain certificates of deposit are considered invested and traded in the financial markets. Those certificates of deposit, fixed income securities and other securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

Net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used to estimate the fair values of certain hedge funds, private equity funds, fund of funds, and limited partnerships which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy. The Organization does not have any investments valued at NAV.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2025:

	Fair Value Measurements at Report Date Using Significant Other Observable Inputs (Level 1)
Investments	
U.S. Treasury Bills	\$ 16,041,917

**Note 5 - Property and Equipment**

Property and equipment at June 30, 2025, consisted of the following:

Land	\$ 36,847,000
Building/leasehold improvements	2,282,679
Computer equipment	3,499,563
Work in progress	77,166,374
Subtotal	119,795,616
Less: accumulated depreciation	(3,855,640)
	\$ 115,939,976

During the year ended June 30, 2025, \$637,088 was charged to BSS for depreciation and amortization expense.

**Note 6 - Proposition Construction Loan**

Proposition construction loan consist of the following at June 30, 2025:

Per proposition 1D, 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 expense on the Statement of Activities). 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.

The original proposition construction loan obligation of \$10,993,474 for building improvements represents one half of the costs incurred for Rise Kohyang High School approved Proposition 1D project.

\$ 10,993,474

Future maturities of notes payable are as follows:

Year Ending June 30,	Principal*
2026	\$ 685,609
2027	615,267
2028	628,243
2029	641,492
2030	655,020
Thereafter	20,741,046
Total	\$ 23,966,677

\*The total principal obligation will be reduced by any cash proceeds not utilized during the construction period. Upon the return of such unused funds, a revised payment schedule will be issued. Until that time, BSS remains obligated to remit payments in accordance with the original payment schedule. As of June 30, 2025, unused construction proceeds totaled \$12,973,203.

**Note 7 - Notes Payable**

Notes payable consist of the following at June 30, 2025:

<p>BSS entered into an unsecured loan agreement on August 15, 2024, with ExED Facilities XXIII LLC, a Delaware limited liability company, for the amount of \$8,256,000. The loan bears interest at all times at a per annum interest rate of 1.4239% commencing on the date of the agreement and ending on the maturity date of August 15, 2059. Accrued and unpaid interest only shall be payable in quarterly installments on the first day of the last month of each calendar quarter. On August 15, 2059, the entire outstanding principal amount with all accrued and unpaid interest thereon and all other sums payable shall mature and be payable in full.</p>	<p>\$ 8,256,000</p>
<p>BSS entered into an unsecured loan agreement on August 15, 2024, with ExED Facilities XXIII LLC, a Delaware limited liability company, for the amount of \$3,144,000. The loan bears interest at all times at a per annum interest rate of 1.4239% commencing on the date of the agreement and ending on the maturity date of August 15, 2059. Accrued and unpaid interest only shall be payable in quarterly installments on the first day of the last month of each calendar quarter. On August 15, 2059, the entire outstanding principal amount with all accrued and unpaid interest thereon and all other sums payable shall mature and be payable in full.</p>	<p>3,144,000</p>
<p>BSS entered into an unsecured loan agreement on August 15, 2024, with Self-Help New Markets 20, LLC, a Delaware limited liability company, for the amount of \$7,280,000. The loan bears interest at all times at a per annum interest rate of 1.4239% commencing on the date of the agreement and ending on the maturity date of August 15, 2059. Accrued and unpaid interest only shall be payable in quarterly installments on the first day of the last month of each calendar quarter. On August 15, 2059, the entire outstanding principal amount with all accrued and unpaid interest thereon and all other sums payable shall mature and be payable in full.</p>	<p>7,280,000</p>
<p>BSS entered into an unsecured loan agreement on August 15, 2024, with Self-Help New Markets 20, LLC, a Delaware limited liability company, for the amount of \$2,720,000. The Loan bears interest at all times at a per annum interest rate of 1.4239% commencing on the date of the agreement and ending on the maturity date of August 15, 2059. Accrued and unpaid interest only shall be payable in quarterly installments on the first day of the last month of each calendar quarter. On August 15, 2059, the entire outstanding principal amount with all accrued and unpaid interest thereon and all other sums payable shall mature and be payable in full.</p>	<p>2,720,000</p>
<p>BSS entered into an unsecured loan agreement on August 15, 2024, with USBCDE Sub CDE 273, LLC, a Delaware limited liability company, for the amount of \$2,124,000. The loan bears interest at all times at a per annum interest rate of 1.4239% commencing on the date of the agreement and ending on the maturity date of August 15, 2059. Accrued and unpaid interest only shall be payable in quarterly installments on the first day of the last month of each calendar quarter. On August 15, 2059, the entire outstanding principal amount with all accrued and unpaid interest thereon and all other sums payable shall mature and be payable in full.</p>	<p>2,124,000</p>

BSS entered into an unsecured loan agreement on August 15, 2024, with USBCDE Sub CDE 273, LLC, a Delaware limited liability company, for the amount of \$846,000. The loan bears interest at all times at a per annum interest rate of 1.4239% commencing on the date of the agreement and ending on the maturity date of August 15, 2059. Accrued and unpaid interest only shall be payable in quarterly installments on the first day of the last month of each calendar quarter. On August 15, 2059, the entire outstanding principal amount with all accrued and unpaid interest thereon and all other sums payable shall mature and be payable in full.

\$ 846,000

BSS entered into an unsecured loan agreement on August 15, 2024, with Self-Help Credit Union, a Delaware limited liability company, for the amount of \$16,400,000. The loan bears interest at all times at a per annum interest rate of 6.72% commencing on the date of the agreement and ending on the maturity date of September 1, 2031. Accrued and unpaid interest only shall be payable in monthly installments on the first day of the last month of each calendar quarter. On September 1, 2031, the entire outstanding principal amount with all accrued and unpaid interest thereon and all other sums payable shall mature and be payable in full.

16,400,000

Subtotal outstanding notes payable

40,770,000

Less: notes payable issuance cost on Self-Help Credit Union loan

(89,375)

Total

\$ 40,680,625

Future maturities of notes payable are as follows:

Year Ending June 30,	Principal
2026	\$ -
2027	-
2028	-
2029	-
2030	-
Thereafter	<u>40,770,000</u>
Total futures maturities	40,770,000
Less: unamortized debt issuance cost	<u>(89,375)</u>
Total	<u><u>\$ 40,680,625</u></u>

**Note 8 - Leases**

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

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

The lease agreements also require BSS to comply with certain covenants and to maintain certain financial ratios. As of June 30, 2025, BSS was in compliance with all ratios and covenants.

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

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

Total lease costs for the year ended June 30, 2025, were as follows:

Operating lease cost	\$ 3,959,096
Short-term lease cost	\$ 999,764

The following table summarizes the supplemental cash flow information for the year ended June 30, 2025:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 4,718,818
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ 10,687,836

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

Weighted-average remaining lease term:	
Operating leases	34.53 Years
Weighted-average discount rate:	
Operating leases	4.34%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of June 30, 2025:

	Operating
2026	\$ 4,585,008
2027	4,808,752
2028	4,135,541
2029	4,077,833
2030	2,366,619
Thereafter	52,986,773
Total lease payments	72,960,526
Less interest	(28,964,223)
Present value of lease liabilities	\$ 43,996,303

**Note 9 - Line of Credit**

BSS maintains an uncommitted revolving line of credit with City National Bank in an authorized amount of \$10,000,000, which matures on March 1, 2028. The line of credit bears interest, at BSS's option, at either Daily Simple SOFR plus 1.75% or the Prime Rate, subject to applicable floors as defined in the agreement. The line of credit is uncommitted, and advances are subject to the lender's approval. The agreement is collateralized by certain investment assets held in City National Bank securities accounts. As of June 30, 2025, no amounts were outstanding, and no borrowings were made under the line of credit during the year.

**Note 10 - Net Assets**

Net assets consist of the following at June 30, 2025:

Net Assets Without Donor Restrictions	
Designated for employee retention and recruiting	\$ 6,569,099

## **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 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. If a participating employer stops contribution to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers as all plan assets are held by the plan and all benefit obligations are borne by the STRP.

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, 2023, 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: <https://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, 2025, are summarized as follows:

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

### Contributions

Required members, BSS and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and BSS' total contributions were \$4,958,844.

### 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 \$2,344,631 (10.828% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

### Note 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.

**Note 13 - Subsequent Events**

BSS' management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through April 27, 2026, 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 executed a new long-term lease agreement with BSDG 15226 Plummer LLC for a school facility located in North Hills, California, to be used in the operation of a charter school. The lease commences August 1, 2025, and extends through July 31, 2059, with rent payments scheduled to begin upon the rent commencement date as defined in the agreement. The lease includes periodic rent escalations and customary provisions related to maintenance, insurance, and compliance.

Supplementary Information  
June 30, 2025

## Bright Star Schools

Bright Star Schools  
Schedules of Expenditures of Federal Awards  
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through Los Angeles Unified School District (LAUSD)			
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	<u>\$ 882,059</u>
Subtotal Special Education (IDEA) Cluster			<u>882,059</u>
Passed Through the California Department of Education (CDE)			
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss			
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	10155	27,085
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	69,924
COVID-19 - Expanded Learning Opportunities (ELO) Grant ESSER II State Reserves	84.425D	15618	<u>214,505</u>
Subtotal			<u>311,514</u>
Title I Grants to Local Educational Agencies			
Title I, School Improvement Funding for LEAs	84.010	14329	1,576,508
	84.010	15364	<u>160,043</u>
Subtotal			<u>1,736,551</u>
Title IV, Part A - Student Support and Academic Enrichment Grants			
Title II, Part A - Supporting Effective Instruction	84.424	15396	127,387
	84.367	14341	<u>174,847</u>
Total U.S. Department of Education			<u>3,232,358</u>
Total Federal Financial Assistance			<u>\$ 3,232,358</u>

Bright Star Schools  
Schedule of Average Daily Attendance  
Year Ended June 30, 2025

	Final Report	
	Second Period Report	Annual Report
<b>Stella Elementary Charter Academy (SECA)</b>		
Regular ADA		
Transitional kindergarten through third	194.93	194.44
Fourth	43.51	43.23
Total Regular ADA	<u>238.44</u>	<u>237.67</u>
Classroom based ADA		
Transitional kindergarten through third	194.93	194.44
Fourth	43.51	43.23
Total Classroom Based ADA	<u>238.44</u>	<u>237.67</u>
<b>Stella Middle Charter Academy (SMCA)</b>		
Regular ADA		
Fifth and sixth	197.54	195.44
Seventh and eighth	239.55	238.16
Total Regular ADA	<u>437.09</u>	<u>433.60</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fifth and sixth	0.59	0.68
Seventh and eighth	0.80	0.83
Total Special Education, Nonpublic, Nonsectarian Schools	<u>1.39</u>	<u>1.51</u>
Total Regular ADA	<u>438.48</u>	<u>435.11</u>
Classroom based ADA		
Fifth and sixth	197.54	195.44
Seventh and eighth	239.55	238.16
Total Classroom Based ADA	<u>437.09</u>	<u>433.60</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fifth and sixth	0.59	0.68
Seventh and eighth	0.80	0.83
Total Special Education, Nonpublic, Nonsectarian Schools	<u>1.39</u>	<u>1.51</u>
Total Classroom Based ADA	<u>438.48</u>	<u>435.11</u>
<b>Stella High Charter Academy (SHCA)</b>		
Regular ADA		
Ninth through twelfth	493.40	489.77
Total Regular ADA	<u>493.40</u>	<u>489.77</u>
Classroom based ADA		
Ninth through twelfth	493.40	489.77
Total Classroom Based ADA	<u>493.40</u>	<u>489.77</u>

Bright Star Schools  
Schedule of Average Daily Attendance  
Year Ended June 30, 2025

	Final Report	
	Second Period Report	Annual Report
<b>Rise Kohyang Elementary School (RKES)</b>		
Regular ADA		
Transitional kindergarten through third	179.04	178.99
Fourth	86.91	86.99
Total Regular ADA	265.95	265.98
Classroom based ADA		
Transitional kindergarten through third	179.04	178.99
Fourth	86.91	86.99
Total Classroom Based ADA	265.95	265.98
<b>Rise Kohyang Middle School (RKMS)</b>		
Regular ADA		
Sixth	88.76	88.57
Seventh and eighth	171.02	169.44
Total Regular ADA	259.78	258.01
Classroom based ADA		
Sixth	88.76	88.57
Seventh and eighth	171.02	169.44
Total Classroom Based ADA	259.78	258.01
<b>Rise Kohyang High School (RKHS)</b>		
Regular ADA		
Ninth through twelfth	428.50	421.25
Total Regular ADA	428.50	421.25
Classroom based ADA		
Ninth through twelfth	428.50	421.25
Total Classroom Based ADA	428.50	421.25

Bright Star Schools  
Schedule of Average Daily Attendance  
Year Ended June 30, 2025

	Final Report	
	Second Period Report	Annual Report
<b>Valor Academy Elementary School (VAES)</b>		
Regular ADA		
Transitional kindergarten through third	283.18	282.07
Fourth	73.53	73.38
Total Regular ADA	356.71	355.45
Classroom based ADA		
Transitional kindergarten through third	283.18	282.07
Fourth	73.53	73.38
Total Classroom Based ADA	356.71	355.45
<b>Valor Academy Middle School (VAMS)</b>		
Regular ADA		
Fifth and sixth	241.39	240.69
Seventh and eighth	240.96	240.74
Total Regular ADA	482.35	481.43
Classroom based ADA		
Fifth and sixth	241.39	240.69
Seventh and eighth	240.96	240.74
Total Classroom Based ADA	482.35	481.43
<b>Valor Academy High School (VAHS)</b>		
Regular ADA		
Ninth through twelfth	457.48	453.61
Total Regular ADA	457.48	453.61
Classroom based ADA		
Ninth through twelfth	457.48	463.61
Total Classroom Based ADA	457.48	463.61

**Bright Star Schools**  
 Schedule of Instructional Time  
 Year ended June 30, 2025

**Stella Elementary Charter Academy (SECA)**

Grade Level	1986-87 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	51,750	-	51,750	176	-	176	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		51,750	-	51,750	176	-	176	-	-	-	Complied
Grade 2		56,975	-	56,975	176	-	176	-	-	-	Complied
Grade 3		56,975	-	56,975	176	-	176	-	-	-	Complied
Grade 4	54,000	56,975	-	56,975	176	-	176	-	-	-	Complied

**Stella Middle Charter Academy (SMCA)**

Grade Level	1986-87 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Grades 5 - 8	54,000										
Grade 5		57,072	-	57,072	176	-	176	-	-	-	Complied
Grade 6		57,030	-	57,030	176	-	176	-	-	-	Complied
Grade 7		57,388	-	57,388	176	-	176	-	-	-	Complied
Grade 8		57,374	-	57,374	176	-	176	-	-	-	Complied

**Stella High Charter Academy (SHCA)**

Grade Level	1986-87 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Grades 9 - 12	64,800										
Grade 9		65,157	-	65,157	175	-	175	-	-	-	Complied
Grade 10		65,157	-	65,157	175	-	175	-	-	-	Complied
Grade 11		65,157	-	65,157	175	-	175	-	-	-	Complied
Grade 12		65,157	-	65,157	175	-	175	-	-	-	Complied

Bright Star Schools  
Schedule of Instructional Time  
Year ended June 30, 2025

**Rise Kohyang Elementary School (RKES)**

Grade Level	1986-87 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	48,680	-	48,680	176	-	176	-	-	-	Complied
Grades 1 - 2	50,400										
Grade 1		56,880	-	56,880	176	-	176	-	-	-	Complied
Grade 2		56,880	-	56,880	176	-	176	-	-	-	Complied
Grade 3		56,880	-	56,880	176	-	176	-	-	-	Complied
Grade 4 - 5	54,000										
Grade 4		58,100	-	58,100	176	-	176	-	-	-	Complied
Grade 5		58,100	-	58,100	176	-	176	-	-	-	Complied

**Rise Kohyang Middle School (RKMS)**

Grade Level	1986-87 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Grades 6 - 8	54,000										
Grade 6		58,350	-	58,350	176	-	176	-	-	-	Complied
Grade 7		58,350	-	58,350	176	-	176	-	-	-	Complied
Grade 8		58,350	-	58,350	176	-	176	-	-	-	Complied

**Rise Kohyang High School (RKHS)**

Grade Level	1986-87 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Grades 9 - 12	64,800										
Grade 9		68,814	-	68,814	176	-	176	-	-	-	Complied
Grade 10		68,814	-	68,814	176	-	176	-	-	-	Complied
Grade 11		68,814	-	68,814	176	-	176	-	-	-	Complied
Grade 12		68,814	-	68,814	176	-	176	-	-	-	Complied

See Notes to Supplementary Information

**Bright Star Schools**  
 Schedule of Instructional Time  
 Year ended June 30, 2025

**Valor Academy Elementary School (VAES)**

Grade Level	1986-87 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	57,645	-	57,645	176	-	176	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		57,645	-	57,645	176	-	176	-	-	-	Complied
Grade 2		57,645	-	57,645	176	-	176	-	-	-	Complied
Grade 3		57,645	-	57,645	176	-	176	-	-	-	Complied
Grades 4	54,000	57,645	-	57,645	176	-	176	-	-	-	Complied

**Valor Academy Middle School (VAMS)**

Grade Level	1986-87 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Grades 5 - 8	54,000										
Grade 5		61,780	-	61,780	176	-	176	-	-	-	Complied
Grade 6		61,780	-	61,780	176	-	176	-	-	-	Complied
Grade 7		61,780	-	61,780	176	-	176	-	-	-	Complied
Grade 8		61,780	-	61,780	176	-	176	-	-	-	Complied

**Valor Academy High School (VAHS)**

Grade Level	1986-87 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number Of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Grades 9 - 12	64,800										
Grade 9		67,474	-	67,474	176	-	176	-	-	-	Complied
Grade 10		67,474	-	67,474	176	-	176	-	-	-	Complied
Grade 11		67,474	-	67,474	176	-	176	-	-	-	Complied
Grade 12		67,474	-	67,474	176	-	176	-	-	-	Complied

**Bright Star Schools**  
**Reconciliation of Annual Financial Report with Audited Financial Statements**  
**Year ended June 30, 2025**

	<u>SMCA</u>	<u>SHCA</u>	<u>RKMS</u>	<u>VAMS</u>	<u>VAHS</u>
<b>Net Assets</b>					
Balance, June 30, 2025, Unaudited Actuals	\$ 4,135,431	\$ 7,043,900	\$ 3,212,522	\$ 6,146,166	\$ 4,859,879
Decrease in					
Receivables	(693)	(85)	-	(587)	-
Prepays	(31,799,883)	(26,464,468)	(18,952,596)	(19,295,635)	(16,069,069)
Property and equipment	-	(22,178)	-	-	-
Accounts payable	32,019,602	19,160,493	18,994,721	16,649,980	15,860,462
Refundable advance	-	-	-	232,453	-
Increase in					
Receivables	-	-	120,753	-	15
Intra-entity receivable	-	7,287,477	-	2,645,688	355,623
Property and equipment	22,178	-	55,160	-	-
Operating lease right-of-use asset	-	1,716,329	2,532,957	-	-
Refundable advance	(30,900)	-	-	-	-
Intra-entity payable	(212,632)	-	(112,678)	-	-
Operating lease liability	-	(1,667,065)	(2,514,432)	-	-
Balance, June 30, 2025, Audited Financial Statements	<u>\$ 4,133,103</u>	<u>\$ 7,054,403</u>	<u>\$ 3,336,407</u>	<u>\$ 6,378,065</u>	<u>\$ 5,006,910</u>

	<u>RKHS</u>	<u>VAES</u>	<u>SECA</u>	<u>RKES</u>
<b>Net Assets</b>				
Balance, June 30, 2025, Unaudited Actuals	\$ 34,864,683	\$ 2,895,121	\$ 1,191,031	\$ 1,235,124
Decrease in				
Cash	-	-	(221,616)	-
Restricted cash	(1,217,869)	-	-	-
Receivables	(199,529)	-	-	-
Prepays	(28,861,859)	(16,712,780)	(7,656,144)	(9,990,111)
Property and equipment	(1,169,171)	-	-	-
Accounts payable	28,338,444	15,430,973	7,594,995	9,754,174
Refundable advance	43,439,003	559,566	159,222	-
Notes payable, less current portion	-	89,375	-	-
Increase in				
Cash	994,828	246,647	-	221,616
Receivables	-	2,832	155,600	144,058
Intra-entity receivable	2,446,234	221,819	481,805	156,227
Property and equipment	-	-	1,792,289	2,647,324
Refundable advance	-	-	-	(159,222)
Operating lease liability	-	-	(1,937,886)	(2,514,432)
Proposition construction loan	(10,993,474)	-	-	-
Balance, June 30, 2025, Audited Financial Statements	<u>\$ 67,641,290</u>	<u>\$ 2,733,553</u>	<u>\$ 1,559,296</u>	<u>\$ 1,494,758</u>

Bright Star Schools  
Combining Statement of Financial Position  
Year Ended June 30, 2025

	General Support	Stella Middle Charter Academy	Stella High Charter Academy	Rise Kohyang Middle School	Valor Academy Middle School
<b>Assets</b>					
<b>Current assets</b>					
Cash	\$ 323,520	\$ 2,956,492	\$ 2,794,817	\$ 693,930	\$ 3,014,343
Restricted cash	-	-	-	-	-
Investments	12,230,228	-	-	-	-
Receivables	-	1,307,043	2,168,102	799,559	1,257,400
Intra-entity receivable	-	-	7,287,477	-	2,645,688
Prepaid expenses	107,439	59,320	110,272	24,716	32,660
<b>Total current assets</b>	<b>12,661,187</b>	<b>4,322,855</b>	<b>12,360,668</b>	<b>1,518,205</b>	<b>6,950,091</b>
<b>Non-current assets</b>					
Security deposit	-	7,332	8,250	-	-
Note receivable	-	-	-	-	-
Property and equipment	-	363,396	24,100	19,549,582	65,720
Operating lease right-of-use asset	-	13,250,692	1,716,767	2,532,957	10,864,002
<b>Total non-current assets</b>	<b>-</b>	<b>13,621,420</b>	<b>1,749,117</b>	<b>22,082,539</b>	<b>10,929,722</b>
	<b>\$ 12,661,187</b>	<b>\$ 17,944,275</b>	<b>\$ 14,109,785</b>	<b>\$ 23,600,744</b>	<b>\$ 17,879,813</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 81,551	\$ (261,950)	\$ 819,901	\$ 518,168	\$ 448,416
Refundable advance	-	1,139,973	4,568,416	17,119,059	1,826,844
Intra-entity payable	11,576,394	212,632	-	112,678	-
Current portion of operating lease liability	-	209,758	779,564	574,900	153,208
Current portion of proposition construction loan	-	-	-	-	-
<b>Total current liabilities</b>	<b>11,657,945</b>	<b>1,300,413</b>	<b>6,167,881</b>	<b>18,324,805</b>	<b>2,428,468</b>
<b>Long-term liabilities</b>					
Operating lease liability - less current portion	-	12,510,759	887,501	1,939,532	9,073,280
Proposition construction loan - less current portion	-	-	-	-	-
Notes payable - less current portion	-	-	-	-	-
<b>Total long-term liabilities</b>	<b>-</b>	<b>12,510,759</b>	<b>887,501</b>	<b>1,939,532</b>	<b>9,073,280</b>
<b>Total liabilities</b>	<b>11,657,945</b>	<b>13,811,172</b>	<b>7,055,382</b>	<b>20,264,337</b>	<b>11,501,748</b>
<b>Net Assets</b>					
Without donor restrictions	1,003,242	3,239,047	5,968,837	3,058,384	5,523,407
Without donor restrictions - board designated	-	894,056	1,085,566	278,023	854,658
<b>Total net assets</b>	<b>1,003,242</b>	<b>4,133,103</b>	<b>7,054,403</b>	<b>3,336,407</b>	<b>6,378,065</b>
<b>Total liabilities and net assets</b>	<b>\$ 12,661,187</b>	<b>\$ 17,944,275</b>	<b>\$ 14,109,785</b>	<b>\$ 23,600,744</b>	<b>\$ 17,879,813</b>

**Bright Star Schools**  
**Combining Statement of Financial Position**  
**Year Ended June 30, 2025**

	Valor Academy High School	Rise Kohyang High School	Valor Academy Elementary School	Plummer LLC	Stella Elementary Charter Academy
<b>Assets</b>					
<b>Current assets</b>					
Cash	\$ 3,374,001	\$ 994,828	\$ 1,362,650	\$ 714,111	\$ 689,022
Restricted cash	-	17,472,675	-	10,620,011	-
Investments	-	-	-	-	-
Receivables	1,138,845	668,437	855,741	-	633,771
Intra-entity receivable	355,623	2,446,234	221,819	89,375	481,805
Prepaid expenses	6,431	61,725	103,144	61,750	28,196
<b>Total current assets</b>	<b>4,874,900</b>	<b>21,643,899</b>	<b>2,543,354</b>	<b>11,485,247</b>	<b>1,832,794</b>
<b>Non-current assets</b>					
Security deposit	-	2,764	90,000	-	-
Note receivable	-	-	17,660,000	-	-
Property and equipment	183,975	75,798,737	-	19,175,346	327,762
Operating lease right-of-use asset	14,668,474	-	-	-	1,915,886
<b>Total non-current assets</b>	<b>14,852,449</b>	<b>75,801,501</b>	<b>17,750,000</b>	<b>19,175,346</b>	<b>2,243,648</b>
	<b>\$ 19,727,349</b>	<b>\$ 97,445,400</b>	<b>\$ 20,293,354</b>	<b>\$ 30,660,593</b>	<b>\$ 4,076,442</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 276,716	\$ 340,115	\$ 395,425	\$ 2,267,388	\$ 167,818
Refundable advance	1,028,240	18,470,521	853,751	-	411,442
Intra-entity payable	-	-	-	4,475,318	-
Current portion of operating lease liability	221,059	-	-	-	376,039
Current portion of proposition construction loan	-	685,609	-	-	-
<b>Total current liabilities</b>	<b>1,526,015</b>	<b>19,496,245</b>	<b>1,249,176</b>	<b>6,742,706</b>	<b>955,299</b>
<b>Long-term liabilities</b>					
Operating lease liability - less current portion	13,194,424	-	-	-	1,561,847
Proposition construction loan - less current portion	-	10,307,865	-	-	-
Notes payable - less current portion	-	-	16,310,625	24,370,000	-
<b>Total long-term liabilities</b>	<b>13,194,424</b>	<b>10,307,865</b>	<b>16,310,625</b>	<b>24,370,000</b>	<b>1,561,847</b>
<b>Total liabilities</b>	<b>14,720,439</b>	<b>29,804,110</b>	<b>17,559,801</b>	<b>31,112,706</b>	<b>2,517,146</b>
<b>Net Assets</b>					
Without donor restrictions	4,017,037	66,852,069	1,949,112	(452,113)	1,422,013
Without donor restrictions - board designated	989,873	789,221	784,441	-	137,283
<b>Total net assets</b>	<b>5,006,910</b>	<b>67,641,290</b>	<b>2,733,553</b>	<b>(452,113)</b>	<b>1,559,296</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,727,349</b>	<b>\$ 97,445,400</b>	<b>\$ 20,293,354</b>	<b>\$ 30,660,593</b>	<b>\$ 4,076,442</b>

Bright Star Schools  
Combining Statement of Financial Position  
Year Ended June 30, 2025

	Rise Kohyang Elementary School	Business Office Team	Eliminations	Total
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$ 910,638	\$ 805,321	\$ -	\$ 18,633,673
Restricted cash	-	-	-	28,092,686
Investments	-	3,811,689	-	16,041,917
Receivables	778,842	-	-	9,607,740
Intra-entity receivable	156,227	2,692,774	(16,377,022)	-
Prepaid expenses	18,030	70,935	-	684,618
<b>Total current assets</b>	<b>1,863,737</b>	<b>7,380,719</b>	<b>(16,377,022)</b>	<b>73,060,634</b>
<b>Non-current assets</b>				
Security deposit	-	7,288	-	115,634
Note receivable	-	-	-	17,660,000
Property and equipment	451,358	-	-	115,939,976
Operating lease right-of-use asset	2,532,957	-	-	47,481,735
<b>Total non-current assets</b>	<b>2,984,315</b>	<b>7,288</b>	<b>-</b>	<b>181,197,345</b>
	<b>\$ 4,848,052</b>	<b>\$ 7,388,007</b>	<b>\$ (16,377,022)</b>	<b>\$ 254,257,979</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 268,198	\$ 698,331	\$ -	6,020,077
Refundable advance	570,664	-	-	45,988,910
Intra-entity payable	-	-	(16,377,022)	-
Current portion of operating lease liability	574,900	-	-	2,889,428
Current portion of proposition construction loan	-	-	-	685,609
<b>Total current liabilities</b>	<b>1,413,762</b>	<b>698,331</b>	<b>(16,377,022)</b>	<b>55,584,024</b>
<b>Long-term liabilities</b>				
Operating lease liability - less current portion	1,939,532	-	-	41,106,875
Proposition construction loan - less current portion	-	-	-	10,307,865
Notes payable - less current portion	-	-	-	40,680,625
<b>Total long-term liabilities</b>	<b>1,939,532</b>	<b>-</b>	<b>-</b>	<b>92,095,365</b>
<b>Total liabilities</b>	<b>3,353,294</b>	<b>698,331</b>	<b>(16,377,022)</b>	<b>147,679,389</b>
<b>Net Assets</b>				
Without donor restrictions	1,401,523	6,026,933	-	100,009,491
Without donor restrictions - board designated	93,235	662,743	-	6,569,099
<b>Total net assets</b>	<b>1,494,758</b>	<b>6,689,676</b>	<b>-</b>	<b>106,578,590</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,848,052</b>	<b>\$ 7,388,007</b>	<b>\$ (16,377,022)</b>	<b>\$ 254,257,979</b>

Bright Star Schools  
Combining Statement of Activities  
Year Ended June 30, 2025

	General Support	Stella Middle Charter Academy	Stella High Charter Academy	Rise Kohyang Middle School	Valor Academy Middle School
Net Assets without Donor Restriction					
Support and Revenues					
Local Control Funding Formula	\$ -	\$ 6,319,817	\$ 8,565,679	\$ 3,745,817	\$ 6,931,327
Federal revenues	-	643,466	422,234	264,250	405,754
State Revenues					
Other State revenues	-	3,220,206	2,488,496	1,980,790	2,518,806
Proposition 1D revenues	-	-	-	-	-
Employee retention credit revenue	-	367,447	425,103	278,023	344,937
Contributions	72,700	-	-	97	-
Interest revenue	166,267	97,052	86,019	83,592	97,276
Unrealized gain or Loss on investment	96,983	-	-	-	-
Lease revenue	-	-	-	-	-
Local revenues	-	-	-	-	-
Other revenue	-	115,270	169,061	156,778	153,550
Total revenues	<u>335,950</u>	<u>10,763,258</u>	<u>12,156,592</u>	<u>6,509,347</u>	<u>10,451,650</u>
Expenses					
Program services	6,441	9,880,986	10,793,000	5,641,879	8,773,174
Management and general	18,760	846,385	1,005,787	701,044	1,275,019
Total expenses	<u>25,201</u>	<u>10,727,371</u>	<u>11,798,787</u>	<u>6,342,923</u>	<u>10,048,193</u>
Change in Net Assets	310,749	35,887	357,805	166,424	403,457
Net Assets, Beginning of Year	<u>692,493</u>	<u>4,097,216</u>	<u>6,696,598</u>	<u>3,169,983</u>	<u>5,974,608</u>
Net Assets, End of Year	<u>\$ 1,003,242</u>	<u>\$ 4,133,103</u>	<u>\$ 7,054,403</u>	<u>\$ 3,336,407</u>	<u>\$ 6,378,065</u>

Bright Star Schools  
Combining Statement of Activities  
Year Ended June 30, 2025

	Valor Academy High School	Rise Kohyang High School	Valor Academy Elementary School	Plummer LLC	Stella Elementary Charter Academy
Net Assets without Donor Restriction					
Support and Revenues					
Local Control Funding Formula	\$ 7,931,146	\$ 7,204,270	\$ 5,440,838	\$ -	\$ 3,677,361
Federal revenue	386,907	354,408	255,248	-	171,582
State Revenues					
Other State revenue	2,346,948	1,101,452	2,969,768	-	2,161,658
Proposition 1D revenues	-	32,410,044	-	-	-
Employee retention credit revenue	400,291	324,268	319,491	-	137,283
Contributions	1,000	-	-	-	350,000
Interest revenue	99,872	94,082	337,715	-	68,957
Unrealized gain or Loss on investment	-	-	-	-	-
Lease revenue	-	-	-	-	-
Local revenues					
Other revenue	334,403	572,919	174,299	-	111,066
Total revenues	<u>11,500,567</u>	<u>42,061,443</u>	<u>9,497,359</u>	<u>-</u>	<u>6,677,907</u>
Expenses					
Program services	8,944,555	7,457,942	8,172,843	-	5,541,808
Management and general	1,813,720	1,719,584	1,469,837	422,535	769,329
Total expenses	<u>10,758,275</u>	<u>9,177,526</u>	<u>9,642,680</u>	<u>422,535</u>	<u>6,311,137</u>
Change in Net Assets	742,292	32,883,917	(145,321)	(422,535)	366,770
Net Assets, Beginning of Year	<u>4,264,618</u>	<u>34,757,373</u>	<u>2,878,874</u>	<u>(29,578)</u>	<u>1,192,526</u>
Net Assets, End of Year	<u>\$ 5,006,910</u>	<u>\$ 67,641,290</u>	<u>\$ 2,733,553</u>	<u>\$ (452,113)</u>	<u>\$ 1,559,296</u>

Bright Star Schools  
Combining Statement of Activities  
Year Ended June 30, 2025

	Rise Kohyang Elementary School	Business Office Team	Eliminations	Total
Net Assets without Donor Restriction				
Support and Revenues				
Local Control Funding Formula	\$ 4,041,784	\$ -	\$ -	\$ 53,858,039
Federal revenue	328,509	-	-	3,232,358
State Revenues				
Other State revenue	2,130,926	-	-	20,919,050
Proposition 1D revenues	-	-	-	32,410,044
Employee retention credit revenue	93,235	260,398	-	2,950,476
Contributions	500,000	-	(850,000)	73,797
Interest revenue	75,309	192,324	-	1,398,465
Unrealized gain or Loss on investment	-	5,560	-	102,543
Lease revenue	-	2,500	-	2,500
Local revenues				
Other revenue	198,511	6,347,924	(6,277,298)	2,056,483
Total revenues	<u>7,368,274</u>	<u>6,808,706</u>	<u>(7,127,298)</u>	<u>117,003,755</u>
Expenses				
Program services	6,412,742	4,861,565	(7,127,298)	69,359,637
Management and general	615,070	2,215,334	-	12,872,404
Total expenses	<u>7,027,812</u>	<u>7,076,899</u>	<u>(7,127,298)</u>	<u>82,232,041</u>
Change in Net Assets	340,462	(268,193)	-	34,771,714
Net Assets, Beginning of Year	<u>1,154,296</u>	<u>6,957,869</u>	<u>-</u>	<u>71,806,876</u>
Net Assets, End of Year	<u>\$ 1,494,758</u>	<u>\$ 6,689,676</u>	<u>\$ -</u>	<u>\$ 106,578,590</u>

**Bright Star Schools**  
**Combining Statement of Functional Expenses**  
**Year Ended June 30, 2025**

	General Support		Stella Middle Charter Academy		Stella High Charter Academy	
	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General
Salaries	\$ -	\$ -	\$ 4,550,645	\$ 281,341	\$ 5,066,623	\$ 308,168
Employee benefits	-	2,991	490,277	30,311	551,604	33,550
Payroll taxes	-	-	1,340,075	21,496	1,112,017	23,478
Fees for services	-	6,105	508,850	204,037	374,976	301,518
Advertising and promotions	-	-	-	19,940	-	12,828
Office expenses	-	-	-	16,554	-	16,677
Occupancy	-	3,021	921,992	57,002	804,117	48,909
Travel and conference	5,896	-	41,835	-	69,401	-
Interest	-	-	-	-	-	-
Depreciation and amortization	-	-	125,831	-	19,466	-
Insurance	-	-	112,006	-	90,601	-
Other expenses	-	6,643	1,143,370	152,506	1,835,913	175,002
Grants back to schools	-	-	-	-	-	-
Equipment	-	-	76,169	-	88,545	-
Special education	-	-	100,948	-	112,902	-
Instructional materials	545	-	454,589	-	680,460	-
Nutrition	-	-	14,399	-	(13,625)	-
District oversight fees	-	-	-	63,198	-	85,657
<b>Total</b>	<b>\$ 6,441</b>	<b>\$ 18,760</b>	<b>\$ 9,880,986</b>	<b>\$ 846,385</b>	<b>\$ 10,793,000</b>	<b>\$ 1,005,787</b>

**Bright Star Schools**  
**Combining Statement of Functional Expenses**  
**Year Ended June 30, 2025**

	Rise Kohyang Middle School		Valor Academy Middle School		Valor Academy High School	
	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General
Salaries	\$ 2,612,983	\$ 201,880	\$ 3,780,360	\$ 685,254	\$ 4,187,526	\$ 925,982
Employee benefits	296,617	22,917	438,765	79,534	487,220	107,738
Payroll taxes	764,629	15,276	954,674	51,876	1,022,050	70,074
Fees for services	259,729	214,956	639,198	150,766	339,144	297,748
Advertising and promotions	-	15,639	-	15,722	-	21,825
Office expenses	-	13,082	-	11,847	-	24,219
Occupancy	726,678	56,143	416,625	75,479	570,540	126,163
Travel and conference	26,267	-	31,670	-	47,552	-
Interest	-	-	-	-	-	-
Depreciation and amortization	133,580	-	91,119	-	65,500	-
Insurance	46,908	-	106,460	-	109,456	-
Other expenses	275,125	123,693	1,477,305	135,228	1,272,973	160,660
Grants back to schools	-	-	-	-	-	-
Equipment	71,624	-	133,155	-	74,198	-
Special education	60,806	-	111,444	-	105,066	-
Instructional materials	356,737	-	571,870	-	651,258	-
Nutrition	10,196	-	20,529	-	12,072	-
District oversight fees	-	37,458	-	69,313	-	79,311
<b>Total</b>	<b>\$ 5,641,879</b>	<b>\$ 701,044</b>	<b>\$ 8,773,174</b>	<b>\$ 1,275,019</b>	<b>\$ 8,944,555</b>	<b>\$ 1,813,720</b>

Bright Star Schools  
Combining Statement of Functional Expenses  
Year Ended June 30, 2025

	Rise Kohyang High School		Valor Academy Elementary School		Plummer LLC	
	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General
Salaries	\$ 3,793,361	\$ 1,038,840	\$ 3,869,925	\$ 220,522	\$ -	\$ -
Employee benefits	439,888	120,466	452,245	25,771	-	-
Payroll taxes	1,032,687	78,028	801,877	16,735	-	-
Fees for services	293,408	167,206	639,837	52,560	-	-
Advertising and promotions	-	7,164	-	4,295	-	-
Office expenses	-	11,126	-	16,300	-	-
Occupancy	121,743	33,340	597,088	34,024	-	-
Travel and conference	51,362	-	28,990	-	-	-
Interest	-	-	-	887,787	-	413,574
Depreciation and amortization	9,246	-	-	-	-	-
Insurance	136,281	-	65,952	-	-	-
Other expenses	900,670	189,410	1,137,025	157,435	-	8,961
Grants back to schools	-	-	-	-	-	-
Equipment	192,632	-	65,213	-	-	-
Special education	98,066	-	82,274	-	-	-
Instructional materials	378,964	-	404,180	-	-	-
Nutrition	9,634	-	28,237	-	-	-
District oversight fees	-	74,004	-	54,408	-	-
<b>Total</b>	<b>\$ 7,457,942</b>	<b>\$ 1,719,584</b>	<b>\$ 8,172,843</b>	<b>\$ 1,469,837</b>	<b>\$ -</b>	<b>\$ 422,535</b>

Bright Star Schools  
Combining Statement of Functional Expenses  
Year Ended June 30, 2025

	Stella Elementary Charter School		Rise Kohyang Elementary School		Business Office Team	
	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General
Salaries	\$ 2,720,429	\$ 277,939	\$ 2,966,780	\$ 180,076	\$ 2,698,788	\$ -
Employee benefits	335,909	34,319	352,675	21,406	253,710	-
Payroll taxes	583,567	21,005	614,131	13,664	253,878	-
Fees for services	206,593	163,119	724,353	182,595	-	1,597,744
Advertising and promotions	-	6,921	-	13,748	-	303,461
Office expenses	-	10,529	-	12,151	-	20,905
Occupancy	459,307	46,926	732,515	44,462	109,677	-
Travel and conference	22,466	-	32,534	-	401,023	-
Interest	-	-	-	-	-	6,319
Depreciation and amortization	79,190	-	113,156	-	-	-
Insurance	45,451	-	51,080	-	-	11,285
Other expenses	817,286	171,797	381,143	106,550	-	275,620
Grants back to schools	-	-	-	-	850,000	-
Equipment	46,199	-	48,097	-	291,824	-
Special education	56,556	-	63,082	-	-	-
Instructional materials	183,705	-	345,227	-	2,377	-
Nutrition	(14,850)	-	(12,031)	-	288	-
District oversight fees	-	36,774	-	40,418	-	-
<b>Total</b>	<b>\$ 5,541,808</b>	<b>\$ 769,329</b>	<b>\$ 6,412,742</b>	<b>\$ 615,070</b>	<b>\$ 4,861,565</b>	<b>\$ 2,215,334</b>

Bright Star Schools  
Combining Statement of Functional Expenses  
Year Ended June 30, 2025

	Eliminations		Total	
	Program Services	Management and General	Program Services	Management and General
Salaries	\$ -	\$ -	\$ 36,247,420	\$ 4,120,002
Employee benefits	-	-	4,098,910	479,003
Payroll taxes	-	-	8,479,585	311,632
Fees for services	-	-	3,986,088	3,338,354
Advertising and promotions	-	-	-	421,543
Office expenses	-	-	-	153,390
Occupancy	-	-	5,460,282	525,469
Travel and conference	-	-	758,996	-
Interest	-	-	-	1,307,680
Depreciation and amortization	-	-	637,088	-
Insurance	-	-	764,195	11,285
Other expenses	(6,277,298)	-	2,963,512	1,663,505
Grants back to schools	(850,000)	-	-	-
Equipment	-	-	1,087,656	-
Special education	-	-	791,144	-
Instructional materials	-	-	4,029,912	-
Nutrition	-	-	54,849	-
District oversight fees	-	-	-	540,541
<b>Total</b>	<b>\$ (7,127,298)</b>	<b>\$ -</b>	<b>\$ 69,359,637</b>	<b>\$ 12,872,404</b>

## **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, 2025. 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 de minimis cost rate.

### **Schedule of Average Daily Attendance (ADA)**

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

### **Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the Organization and whether the Organization complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

The Organization must maintain their instructional minutes at the 1986-87 requirements, as required by *California Education Code* Section 47612.5.

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

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

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

These schedules 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.

Other Information  
June 30, 2025

# Bright Star Schools

**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
- Stella High Charter Academy (SHCA) charter number 0826 – established in 2006
- Rise Kohyang Elementary School (RKES) charter number 1927 – established in 2019
- Rise Kohyang Middle School (RKMS) charter number 1315 – established in 2012
- Rise Kohyang High School (RKHS) charter number 1786 - established in 2016
- Valor Academy Elementary School (VAES) charter number 1787 - established in 2016
- Valor Academy Middle School (VAMS) charter number 1095 – established in 2009
- Valor Academy High School (VAHS) charter number 1539 – established in 2013

The Board of Directors and the Administrators as of the year ended June 30, 2025 were as follows:

**Governing Board**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Andrew Murr	Board Chairman	February 2027
Jennifer Cole	Member	January 2027
Stephen Green	Member	February 2027
Marisol Leon	Member	January 2027
Lois Levy	Member	February 2027
Louisa Wee	Member	February 2027
Alyce Johnson	Member	August 2026
Jason Rudolph	Member	April 2026
Marissiko Wheaton-Green	Member	June 2026
Roberta Benjamin	Member	May 2026
David Chang	Member	October 2026

**Administration**

<b>Name</b>	<b>Title</b>
Ana L. Martinez	Chief Executive Officer
Elijah Sugay	Chief Financial Officer
Liliana Bustos	Chief Instructional Officer
China Habte	Head of Accounting and Fiscal Services (resigned June 13, 2025)

Independent Auditor's Reports  
June 30, 2025

# Bright Star Schools



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Bright Star Schools (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements 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 April 27, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 the Organization’s consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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*.

## **The Organization's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Organization's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Ontario, California

April 27, 2026



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

Governing Board  
Bright Star Schools  
Los Angeles, California

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

***Opinion on the Major Federal Program***

We have audited Bright Star Schools' (the Organization) 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 the Organization's major federal program for the year ended June 30, 2025. The Organization's 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, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2025.

***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 those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization'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 Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

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

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

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

### ***Report on Internal Control over Compliance***

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Ontario, California  
April 27, 2026



## Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

Governing Board  
Bright Star Schools  
Los Angeles, California

### Report on Compliance

#### *Opinion on State Compliance*

We have audited Bright Star Schools' (the Organization) compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the Organization's state program requirements identified below for the year ended June 30, 2025.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

#### *Basis for Opinion*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2024-2025 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 the Organization 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 the Organization'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 the Organization's state programs.

**Auditor’s Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization’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 *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Organization’s compliance with the state laws and regulations applicable to the following items:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Not Applicable
Teacher Certification and Misassignments	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Not Applicable
Ratio of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
GANN Limit Calculation	Not Applicable
School Accountability Report Card	Not Applicable
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools or Programs	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Not Applicable
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Not Applicable
 School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
 Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/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

The term “Not applicable” is used above to mean either the Organization did not offer the program during the current fiscal year, the Organization did not participate in the program during the current fiscal year, the program did not exceed the threshold for testing, or the program applies to a different type of local education agency.

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

## Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Ontario, California  
April 27, 2026

Schedule of Findings and Questioned Costs  
June 30, 2025

## Bright Star Schools

**Financial Statements**

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

**Federal Awards**

Internal control over major program:	
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 program	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 program:**

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Special Education Cluster (IDEA)	84.027
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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	None Reported
Other matters to be reported	No
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*. This finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

**2025-001      30000 –Financial Statement Preparation, and Audit Adjustments (Material Weakness)**

Criteria or Specific Requirements

Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. This includes designing, implementing, and monitoring controls to ensure that financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and are free from material misstatement, whether caused by error or fraud. As part of this responsibility, management ensures that accounting considerations related to complex or non-routine transactions, including those involving liabilities, are appropriately identified, classified appropriate, documented, reviewed, and recorded at year-end close.

Condition

During the course of our engagement, we identified material adjustments related to receivables, prepaid expenses, property and equipment, notes payable, and the related revenues and expenses. The cumulative effects of the material adjustments resulted in a net understatement of ending net assets by \$32,643,810 as of June 30, 2025.

Context

The condition identified was through inquiry with BSS personnel and through review of available BSS records related to balances reported in BSS’s receivable, prepaid expenses, property and equipment, Operating lease right-of-use assets, Operating lease liability, and notes payable.

Cause

The cause was the turnover of key management personnel responsible for the financial statement close process during the fiscal year. The individuals primarily responsible for overseeing and performing the year-end close departed BSS prior to the completion of the financial statement closing process. As a result, adequate continuity, oversight, and timely completion of closing procedures were not maintained.

Effect

The net effect of these errors resulted in misstatements that were not detected or prevented by BSS’s internal accounting control and review process.

Repeat Finding

No.

Recommendation

We recommend that management and those charged with governance continue to strengthen internal controls over financial reporting related to complex, non-routine transactions, to ensure that financial statements are free from material misstatement. Controls should enable management, in the normal course of performing assigned functions, to identify, document, and resolve accounting considerations on a timely basis. Specifically:

- Strengthen year-end reconciliation and review procedures for significant accounts.
- Ensure timely identification, documentation, and recording of accounting judgments related to such transactions prior to financial statement issuance.

Corrective Action Plan and Views of Responsible Officials

In response to turnover in key fiscal positions, Bright Star Schools has reassigned responsibilities among existing finance staff to maintain continuity of operations and oversight. In addition, the organization remains committed to strengthening the ongoing management, review, and reconciliation of its financial records to ensure accuracy, timeliness, and compliance with applicable accounting standards.

None reported.

None reported.

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