

**SHINING STARS MONTESSORI ACADEMY
PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
*(Together With Independent Auditor's Report)***

BERTSMITH
&Co.

Certified Public Accountants and Management Consultants

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Shining Stars Montessori Academy Public Charter School
Washington, D.C.

Report on Financial Statements

We have audited the accompanying financial statements of the Shining Stars Montessori Academy Public Charter School (the School) which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying management's discussion and analysis on page 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The supplemental schedule of functional expenses on page 10 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the School's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated, October 17, 2014. In our opinion, the summarized comparative information presented therein, as of and for the year ended June 30, 2014 is consistent in all material respects, with the audited financial statements from which it was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Bert Smith & Co." with a period at the end.

November 13, 2015
Washington, D.C.

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Overview

Organizing work to create Shining Stars Montessori Academy (the School) began in 2008 by a group of community activists and parents who sought to establish an alternative educational program that would alter the educational outcomes of children in Washington, D.C. and better position them for future success in society. In 2010, the School received its charter and began its first school year in July 2011. As a Montessori school, we believe in the education of the whole child and follow closely the tenets of the Montessori Method. For the 2014-15 school year, our school was located at 6015 Chillum Place NE, Washington, D.C. 20011, and served children ages 3-7.

Mission

The mission of the Shining Stars Montessori Academy Public Charter School is to offer a quality Montessori education infused with culturally inclusive principles to guide children to develop to their fullest potential.

Method

Shining Stars utilizes tenets of Montessori education, the Montessori Method, culturally-infused practices, and parent engagement to help children reach their fullest potential. In the Montessori classroom, the work of the child is done in a mixed-age, carefully prepared environment where children share knowledge with one another and where the teacher works as a guide, linking the child to specific lessons that meet the child's needs and interests. There is a Montessori teacher and classroom assistant in each classroom and children typically spend three years in their community. In this dynamic, individualized learning environment, children are able to learn and develop at their own pace, enjoy freedom of movement, develop self-discipline, and cultivate healthy, long-lasting relationships with peers and adults.

Key Milestones

- School had a total enrollment of 118 students.
- Finished fourth year of operations with a 5% operating deficit and \$351k of cash on hand.

During the 2014-15 school year, Shining Stars served 118 children within the ages of 3-8. The School added one grade level, 3rd grade, during the 2014-15 school year. In 2015-16, the School will continue to expand incrementally by adding 4th grade level students and grow to serve a total of 157 students.

Academic Achievement

In school years 2011-12 through 2013-2014, the School has met the achievement or progress goals set in the accountability plan and/or as is reflected in the 2014 preliminary Performance Management Framework (or PMF) scores (the PMF for 2014-15 has not been published).

The PMF results have yielded the following by assessment and overall results:

- 80.0 to 97.8% of SSMA students met the academic (literacy and mathematics) targets and goals set for academic year 2014-2015.
- 80% of all kindergarten students advanced 1 level or maintained 'low risk' status on the Dynamic Indicators of Basic Early Literacy Skills assessment (DIBELS).
- Pre-kindergarten 3 (PK3) and pre-kindergarten 4 (PK4) students demonstrated 4 point growth or scored 86 points at 97.8% on the PPVT assessment.
- 87.9% of the pre-kindergarten and 80% of the kindergarten through 2nd grade demonstrated 4 point(s) growth or scored 86 points on the Test of Early Mathematics (TEMA).

Financial Snapshot

The School finished the year with an operating deficit of roughly 5% (-\$103k) and \$351k of cash-on-hand at June 30, 2015. The deficit is primarily related to the School's transition to a new space and area of the city where the School experience slightly lower enrollment revenue combined with higher personnel and food services costs. Despite this year's deficit, the School has maintained a relatively strong cash position and remains without any long-term debt obligations on its balance sheet.

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash	\$ 335,984	\$ 457,753
Due from District of Columbia Government	118,089	42,228
Deposit	15,000	15,000
Prepaid Expenses	10,888	4,629
Total Current Assets	<u>479,961</u>	<u>519,610</u>
Noncurrent Assets		
Deposit	60,500	14,200
Fixed Assets, net	93,135	102,892
Total Noncurrent Assets	<u>153,635</u>	<u>117,092</u>
Total Assets	<u><u>\$ 633,596</u></u>	<u><u>\$ 636,702</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 152,291	\$ 64,859
Accrued Expenses	67,487	37,777
Due to D.C. Charter School Board	-	16,989
Deferred Rent	3,163	3,232
Total Current Liabilities	<u>222,941</u>	<u>122,857</u>
Unrestricted Net Assets	<u>410,655</u>	<u>513,845</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 633,596</u></u>	<u><u>\$ 636,702</u></u>

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

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Unrestricted Revenue		
Per Pupil Allotment	\$ 1,611,197	\$ 1,131,890
Per Pupil Allotment-Facilities Allowance	362,496	261,000
Federal Revenue	143,891	213,560
Fundraising Revenue	10,327	7,610
Other Revenue	<u>38,635</u>	<u>21,336</u>
Total Unrestricted Revenue	<u>2,166,546</u>	<u>1,635,396</u>
 Expenses		
Program Services	1,824,748	1,344,658
General and Administration	<u>444,988</u>	<u>276,745</u>
Total Expenses	<u>2,269,736</u>	<u>1,621,403</u>
 Change In Net Assets	(103,190)	13,993
Net Assets-Beginning of Year	<u>513,845</u>	<u>499,852</u>
Net Assets-End of Year	<u><u>\$ 410,655</u></u>	<u><u>\$ 513,845</u></u>

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

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (103,190)	\$ 13,993
<i>Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:</i>		
Depreciation	32,037	108,784
<i>(Increase) Decrease in Assets:</i>		
Receivables	(75,861)	41,988
Prepaid Expenses	(6,259)	17,221
Deposits	(46,300)	(3,000)
<i>Increase (Decrease) in Liabilities:</i>		
Accounts Payable	87,432	(14,198)
Accrued Expenses	29,710	16,320
Due to D.C. Public Charter School Board	(16,989)	16,989
Deferred Rent	(69)	(32,185)
Net Cash (Used in) Provided by Operating Activities	<u>(99,489)</u>	<u>165,912</u>
Cash Flows from Investing Activities		
Purchases of Fixed Assets	<u>(22,280)</u>	<u>(66,172)</u>
Net Cash Used in Investing Activities	<u>(22,280)</u>	<u>(66,172)</u>
Net (Decrease) Increase in Cash	(121,769)	99,740
Cash at Beginning of Year	<u>457,753</u>	<u>358,013</u>
Cash at End of Year	<u><u>\$ 335,984</u></u>	<u><u>\$ 457,753</u></u>

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

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Shining Stars Montessori Public Charter School (the School) was incorporated in 2010 as a non-profit organization. The School received a charter in 2010 to operate as a charter school pursuant to the District of Columbia Reform Act of 1995. Located in Washington, D.C., the School is a public academic school serving students in pre-kindergarten through kindergarten grades. The mission of the School is to offer a quality Montessori education infused with culturally inclusive principles to guide children to develop to their fullest potential. The School's major source of funding is an annual per pupil allotment from the Government of the District of Columbia (District). The School also receives funding from the federal government, student fees, and activities.

Basis of Accounting: The accompanying financial statements of the School have been prepared on the accrual basis of accounting.

Basis of Presentation: The School reports information regarding its financial position and activities in two classes of net assets: unrestricted net assets and temporarily restricted net assets.

- *Unrestricted Net Assets* - net assets that are not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets* - net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time. The School did not have any temporarily restricted net assets at June 30, 2015.

Revenues are reported and recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily restricted. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor restriction expires in the same reporting period, the School reports the contributions as unrestricted.

Revenue Recognition: The School records revenue when earned. Amounts received that have not been earned are recorded as deferred revenue.

Cash and Cash Equivalents: The School considers all highly liquid investments with maturities of three months or less to be cash equivalents. The School's cash are held at Bank of America and Suntrust.

Fixed Assets: The School capitalizes all fixed assets with a unit cost of \$1,000 or more, and bulk assets of \$5,000 or more. Depreciation expense is recorded using the straight-line method over the fixed assets' estimated useful lives. Maintenance and repairs are expensed. Those estimated useful lives are as follows:

Furniture and Equipment	7 years
Computers	3 years

Income Taxes: The School, a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state and local income taxes, and, accordingly, no provision for income taxes is included in the financial statements.

Financial Accounting Standards Board (FASB), Accounting Standards Codification 740, *Income Taxes* (ASC 740) requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. As of June 30, 2015, management has assessed its various tax positions and it believes there are no liabilities for uncertain tax positions.

The School’s tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts of assets and liabilities. These estimates also affect the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized as additional information on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications: Certain amounts from 2014 have been reclassified to conform to the 2015 financial statement presentation.

NOTE 2 DUE FROM DISTRICT GOVERNMENT

The School receives an annual per pupil allotment and federal funds as a pass-through from the District. At June 30, 2015, the amount due from the District was \$118,089.

NOTE 3 FIXED ASSETS

Leasehold Improvements	\$ 2,700
Equipment and Furniture	148,780
Total Fixed Assets	<u>151,480</u>
Less: Accumulated Depreciation	<u>(58,345)</u>
Net Fixed Assets	<u>\$ 93,135</u>

Depreciation expense during fiscal year 2015 was \$32,037.

NOTE 4 PER PUPIL ALLOTMENT

The School receives an annual per pupil allotment from the District that is based on its student enrollment. The pupil allotment represented about 91% of the School's total revenue. In fiscal year 2015, the District funded \$1,973,693 of the School's allotment.

NOTE 5 COMMITMENTS

Occupancy Lease

The School has an occupancy lease which expires on July 31, 2016 with Sela Public Charter School. The future minimum lease payments are as follows:

2016	\$236,500
2017	\$ 19,742

Rent expense for fiscal year 2015 was \$248,180.

NOTE 6 SUBSEQUENT EVENTS

The School's management has evaluated subsequent events through November 13, 2015 the date the financial statements were available to issue. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Educational Programs	General and Administration	2015	2014
Personnel Costs				
Salaries	\$ 779,371	\$ 215,271	\$ 994,642	\$ 712,453
Employee Benefits	139,487	38,528	178,015	106,903
Professional Development	52,618	-	52,618	54,795
Total Personnel Costs	<u>971,476</u>	<u>253,799</u>	<u>1,225,275</u>	<u>874,151</u>
Direct Student Costs				
Supplies and Materials	43,883	-	43,883	63,973
Contracted Instruction	171,511	-	171,511	74,891
Contracted Student Services	104,902	-	104,902	15,881
Student Assessment	-	-	-	4,240
Other Student Costs	27,860	-	27,860	25,510
Total Direct Student Costs	<u>348,156</u>	<u>-</u>	<u>348,156</u>	<u>184,495</u>
Occupancy Expenses				
Rent	198,544	49,636	248,180	179,615
Utilities	24,306	6,076	30,382	5,052
Maintenance and Repairs	11,460	2,865	14,325	8,816
Janitorial Supplies	-	-	-	2,182
Contracted Building Services	41,180	10,295	51,475	16,773
Depreciation and Amortization - Facilities	7,302	1,825	9,127	90,738
Total Occupancy Expenses	<u>282,792</u>	<u>70,697</u>	<u>353,489</u>	<u>303,176</u>
Office Expenses				
Supplies and Materials	20,351	5,088	25,439	5,511
Equipment Rental	12,494	3,124	15,618	16,810
Telecommunications	4,042	1,011	5,053	3,392
Professional Fees	-	66,823	66,823	69,424
Printing and Copying	-	-	-	205
Postage and Shipping	-	-	-	146
Membership and Subscriptions	6,218	1,555	7,773	3,883
Total Office Expenses	<u>43,105</u>	<u>77,601</u>	<u>120,706</u>	<u>99,371</u>
General Expenses				
Insurance	8,514	2,129	10,643	10,177
Charter Administrative Fees	-	22,293	22,293	6,942
Food Service/Catering	152,377	-	152,377	109,234
Depreciation Expense	18,328	4,582	22,910	18,046
Other General Expenses	-	13,887	13,887	15,811
Total General Expenses	<u>179,219</u>	<u>42,891</u>	<u>222,110</u>	<u>160,210</u>
Total Expenses	<u>\$ 1,824,748</u>	<u>\$ 444,988</u>	<u>\$ 2,269,736</u>	<u>\$ 1,621,403</u>

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



**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***

The Board of Trustees
Shining Stars Montessori Academy, Public Charter School
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Shining Stars Montessori Academy Public Charter School (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bert Smith & Co.

November 13, 2015
Washington, D.C.