

**SHINING STARS MONTESSORI ACADEMY
PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016
*(Together With Independent Auditor's Report)***

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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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, 2016 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 in the first paragraph present fairly, in all material respects, the financial position of the School as of June 30, 2016 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 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated, November 13, 2015. In our opinion, the summarized comparative information presented therein, as of and for the year ended June 30, 2015 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 10, 2016, 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.

 Bert Smith & Co

November 10, 2016
Washington, D.C.

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 429,615	\$ 335,984
Due from District of Columbia Government	39,252	118,089
Deposit	60,667	15,000
Prepaid Expenses	12,330	10,888
Total Current Assets	<u>541,864</u>	<u>479,961</u>
Noncurrent Assets		
Deposit	-	60,500
Fixed Assets, net	71,589	93,135
Total Noncurrent Assets	<u>71,589</u>	<u>153,635</u>
Total Assets	<u><u>\$ 613,453</u></u>	<u><u>\$ 633,596</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 158,976	\$ 152,291
Accrued Expenses	77,239	67,487
Deferred Rent	-	3,163
Total Current Liabilities	<u>236,215</u>	<u>222,941</u>
Unrestricted Net Assets	<u>377,238</u>	<u>410,655</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 613,453</u></u>	<u><u>\$ 633,596</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, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Unrestricted Revenue		
Per Pupil Allotment	\$ 2,802,222	\$ 1,973,693
Federal Revenue	83,257	143,891
Fundraising Revenue	1,323	10,327
Other Revenue	<u>60,812</u>	<u>38,635</u>
Total Unrestricted Revenue	<u>2,947,614</u>	<u>2,166,546</u>
 Expenses		
Program Services	2,506,492	1,824,748
General and Administration	<u>474,538</u>	<u>444,988</u>
Total Expenses	<u>2,981,031</u>	<u>2,269,736</u>
 Change In Net Assets	(33,417)	(103,190)
Net Assets-Beginning of Year	<u>410,655</u>	<u>513,845</u>
Net Assets-End of Year	<u><u>\$ 377,238</u></u>	<u><u>\$ 410,655</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, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (33,417)	\$ (103,190)
<i>Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:</i>		
Depreciation	55,730	32,037
<i>(Increase) Decrease in Assets:</i>		
Receivables	78,837	(75,861)
Prepaid Expenses	(1,442)	(6,259)
Deposits	14,833	(46,300)
<i>Increase (Decrease) in Liabilities:</i>		
Accounts Payable	6,685	87,432
Accrued Expenses	9,752	29,710
Due to D.C. Public Charter School Board	-	(16,989)
Deferred Rent	(3,163)	(69)
Net Cash (Used in) Provided by Operating Activities	<u>127,815</u>	<u>(99,489)</u>
Cash Flows from Investing Activities		
Purchases of Fixed Assets	<u>(34,184)</u>	<u>(22,280)</u>
Net Cash Used in Investing Activities	<u>(34,184)</u>	<u>(22,280)</u>
Net (Decrease) Increase in Cash	93,631	(121,769)
Cash at Beginning of Year	<u>335,984</u>	<u>457,753</u>
Cash at End of Year	<u><u>\$ 429,615</u></u>	<u><u>\$ 335,984</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, 2016

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, 2016.

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, 2016, 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.

Accounting Pronouncement to be Adopted: Financial Accounting Standards Board (FASB) issued Topic 842, “Lease.” Under the pronouncement, lessees with an operating lease will be required to recognize (a) a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position and (b) single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight line basis. The pronouncement is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early implementation of the standard is permitted. However, the School has elected not to implement the pronouncement for this fiscal year.

Reclassifications: Certain amounts from 2015 have been reclassified to conform to the 2016 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, 2016, the amount due from the District was \$39,252.

NOTE 3 FIXED ASSETS

Leasehold Improvements	\$ 186,278
Equipment and Furniture	149,880
Total Fixed Assets	<u>336,158</u>
Less: Accumulated Depreciation	(264,569)
Net Fixed Assets	<u>\$ 71,589</u>

Depreciation expense during fiscal year 2016 was \$55,730.

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 95% of the School's total revenue. The per pupil allotment consist of the following at year-end:

Per Pupil Allotment - Education	\$2,311,754
Per Pupil Allotment - Facilities	<u>490,468</u>
	<u>\$2,802,222</u>

NOTE 5 COMMITMENTS AND CONTINGENCIES***Commitments***

The School has an occupancy lease which expires on July 31, 2016 with Sela Public Charter School.

During the fiscal year, the School signed a ten year occupancy lease with Howard University for the property at 1740 Randolph Street, N.E. The School occupied the property on July 1, 2016.

Rent expense for fiscal year 2016 was \$287,150.

The future minimum lease payments under the leases were as follows:

2017	\$ 824,742
2018	821,100
2019	837,522
2020	854,272
2021	871,358
Thereafter	<u>4,625,274</u>
	<u>\$8,834,268</u>

Contingencies

The School asserts that there have been no material claims, suits, or complaints filed nor any pending against the organization. In the opinion of legal counsel, all other matters which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations of the organization if disposed of unfavorably.

NOTE 6 SUBSEQUENT EVENTS

The School has evaluated any subsequent events through November 10, 2016, which is the date the financial statements were available to be issued. This review and evaluation revealed no material events that would have an effect on the accompanying financial statements.

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	Program Services	General and Administration	2016	2015
Personnel Costs				
Salaries	\$ 1,194,017	\$ 198,865	\$ 1,392,882	\$ 994,642
Employee Benefits	221,150	36,833	257,983	178,015
Professional Development	105,398	-	105,398	52,618
Total Personnel Costs	<u>1,520,565</u>	<u>235,698</u>	<u>1,756,263</u>	<u>1,225,275</u>
Direct Student Costs				
Supplies and Materials	106,292	-	106,292	43,883
Contracted Instruction	178,852	-	178,852	171,511
Contracted Student Services	100,134	-	100,134	104,902
Student Assessment	717	-	717	-
Other Student Costs	25,620	-	25,620	27,860
Total Direct Student Costs	<u>411,615</u>	<u>-</u>	<u>411,615</u>	<u>348,156</u>
Occupancy Expenses				
Rent	229,720	57,430	287,150	248,180
Utilities	21,247	5,312	26,559	30,382
Maintenance and Repairs	33,334	8,334	41,668	14,325
Contracted Building Services	-	-	-	51,475
Depreciation and Amortization - Facilities	25,292	6,323	31,615	9,127
Total Occupancy Expenses	<u>309,593</u>	<u>77,399</u>	<u>386,992</u>	<u>353,489</u>
Office Expenses				
Supplies and Materials	39,368	9,842	49,210	25,439
Equipment Rental	9,701	2,425	12,126	15,618
Telecommunications	2,445	611	3,056	5,053
Professional Fees	41,551	105,866	147,417	66,823
Printing and Copying	1,850	463	2,313	-
Postage and Shipping	2,019	505	2,524	-
Membership and Subscriptions	4,435	1,109	5,544	7,773
Total Office Expenses	<u>101,369</u>	<u>120,821</u>	<u>222,190</u>	<u>120,706</u>
General Expenses				
Insurance	5,774	1,444	7,218	10,643
Charter Administrative Fees	-	30,440	30,440	22,293
Transportation	1,831	-	1,831	-
Food Service/Catering	120,797	-	120,797	152,377
Depreciation Expense	19,292	4,823	24,115	22,910
Other General Expenses	15,656	3,914	19,570	13,887
Total General Expenses	<u>163,350</u>	<u>40,621</u>	<u>203,971</u>	<u>222,110</u>
Total Expenses	<u>\$ 2,506,492</u>	<u>\$ 474,539</u>	<u>\$ 2,981,031</u>	<u>\$ 2,269,736</u>

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



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**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, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2016.

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.

Beck Smith & Co.

October 31, 2016
Washington, D.C.