SHINING STARS MONTESSORI ACADEMY
PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
(Together With Independent Auditor's Report)

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

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, 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2019 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 contracts awards over $25,000 on page 11 is presented for the purposes of additional analysis and is 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 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated, November 7, 2018. In our opinion, the summarized comparative information presented therein, as of and for the year ended June 30, 2018 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 December 23, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.

December 23, 2019
Washington, D.C.

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current Assets		
Cash	$ 886,039	$ 717,604
Due from District Government	90,643	46,617
Deposit	3,000	3,000
Prepaid Expenses	28,427	23,199
Total Current Assets	1,008,109	790,420
Noncurrent Assets		
Deposit	131,167	131,167
Property and Equipment, net	354,847	405,521
Total Noncurrent Assets	486,014	536,688
Total Assets	$ 1,494,123	$ 1,327,108
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 142,429	$ 215,071
Due to Howard University	603,750	603,750
Accrued Expenses	170,268	154,357
Deferred Rent	180,736	136,805
Total Current Liabilities	1,097,183	1,109,983
Net Assets Without Donor Restrictions	396,940	217,125
TOTAL LIABILITIES AND NET ASSETS	$ 1,494,123	$ 1,327,108

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, 2019
(With Comparative Totals for 2018)

	2019	**2018**
Revenue and Support without Donor Restrictions		
Per Pupil Allotment	$ 5,174,497	$ 4,788,470
Federal Revenue	219,830	175,024
Local Revenues	8,354	26,499
Before and After Care Fee	150,772	-
Contributions	20,255	14,432
Meal Sales	45,469	43,447
Other Revenue	6,438	66,391
Total Revenue and Support without Donor Restrictions	5,625,615	5,114,263
Expenses		
Program Services	4,345,504	3,871,182
General and Administration	1,100,296	954,617
Total Expenses	5,445,800	4,825,799
Change In Net Assets	179,815	288,464
Net Assets, Beginning of Year	217,125	(71,339)
Net Assets, End of Year	$ 396,940	$ 217,125

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

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	Program Services	General and Administration	2019	2018
Personnel Costs				
Salaries	$ 1,951,276	$ 331,506	$ 2,282,782	$ 2,057,818
Employee Benefits	370,384	62,925	433,309	341,991
Professional Development	77,116	-	77,116	144,097
Total Personnel Costs	2,398,776	394,431	2,793,207	2,543,906
Direct Student Costs				
Supplies and Materials	90,009	-	90,009	151,085
Contracted Instruction	303,107	-	303,107	162,860
Student Assessment	7,888	-	7,888	14,690
Other Student Costs	28,094	-	28,094	36,672
Total Direct Student Costs	429,098	-	429,098	365,307
Occupancy Expenses				
Rent	705,162	176,291	881,453	889,744
Utilities	69,531	17,383	86,914	77,046
Maintenance and Repairs	220,333	55,083	275,416	158,617
Depreciation and Amortization - Facilities	33,796	8,449	42,245	37,227
Total Occupancy Expenses	1,028,822	257,206	1,286,028	1,162,634
Office Expenses				
Supplies and Materials	49,205	12,301	61,506	44,121
Equipment Rental	39,810	9,953	49,763	21,805
Telecommunications	9,819	2,455	12,274	6,498
Professional Fees	74,583	360,372	434,955	320,395
Postage and Shipping	506	127	633	549
Total Office Expenses	173,923	385,208	559,131	393,368
General Expenses				
Insurance	23,217	5,804	29,021	17,266
Charter Administrative Fees	-	49,946	49,946	50,722
Food Service/Catering	252,147	-	252,147	224,048
Depreciation Expense	21,302	5,326	26,628	30,488
Other General Expenses	18,219	2,375	20,594	38,060
Total General Expenses	314,885	63,451	378,336	360,584
Total Expenses	$ 4,345,504	$ 1,100,296	$ 5,445,800	$ 4,825,799

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, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	$ 179,815	$ 288,464
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	68,873	67,715
(Increase) Decrease in Assets:		
Receivables	(44,026)	(24,940)
Prepaid Expenses	(5,228)	(10,931)
Deposits	-	3,000
Increase (Decrease) in Liabilities:		
Accounts Payable	(72,643)	109,202
Accrued Expenses	15,911	73,799
Unearned Revenue	-	(52,283)
Deferred Rent	43,931	60,352
Net Cash Provided by Operating Activities	186,633	514,378
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(18,198)	(183,071)
Net Cash Used in Investing Activities	(18,198)	(183,071)
Net Increase in Cash	168,435	331,307
Cash, Beginning of Year	717,604	386,297
Cash, End of Year	$ 886,039	$ 717,604

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

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

Net Asset Classification: The School's financial statements follow accounting standards for financial statements of not-for-profit organizations. Under these standards, the School reports information regarding its financial position and activities according to the following net asset classifications.

- **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the School's management and the board of directors.

- **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions arc perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets. If a donor restriction expires in the same reporting period, the School reports the contributions as without donor restrictions.

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.

Property and Equipment: 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:

Leasehold Improvements	Lease term
Furniture and Equipment	7 years
Computers	3 years

Deferred Rent: Deferred rent represents the difference between the total minimum lease payments amortized over the lease term and actual rent paid each fiscal year.

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, 2019, 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. The expenses are allocated based on direct charges and the estimated percentage of time employees spent between program and administration functions.

Pronouncements Adopted: FASB 958, ASU-2016-14*"Presentation of Financial Statements of Not-for-Profit Entities".* This standard enhances disclosures and amends the requirements for financial statements and notes for non-profit organizations to require the presentation of the financial statements in two classes of net assets rather than for the currently required three classes. In addition, the amendment no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method.

Pronouncements to be Adopted: Financial Accounting Standards Board (FASB) issued Topic 842, ASU-2016-02 "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 early implement.

NOTE 2 CONCENTRATION OF CREDIT RISK

The School maintains its cash in several financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2019, the uninsured cash balance totaled $447,506.

NOTE 3 AVAILABILITY AND LIQUIDITY

The following table represents the School's financial assets at June 30, 2019:

Financial assets at year-end:	
Cash	$ 886,039
Due from District Government	90,643
Total Financial Assets	976,682
Financial assets available to meet cash needs for general expenditures within one year	$ 976,682

In effort to have sufficient liquidity, the School maintained cash levels above $800,000 throughout the fiscal year. This translates to over 50 days of cash, which is near or above the D.C. Charter School Board's recommended days of cash.

NOTE 4 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, 2019, the amount due from the District was $90,643.

NOTE 5 PROPERTY AND EQUIPMENT

Leasehold Improvements	$ 396,242
Equipment and Furniture	225,363
Total Property and Equipment	621,605
Less: Accumulated Depreciation	(266,758)
Net Property and Equipment	$ 354,847

Depreciation expense during fiscal year 2019 was $68,873.

NOTE 6 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 92% of the School's total revenue. The per pupil allotment consist of the following at year-end:

NOTE 6 – PER PUPIL ALLOTMENT (CONTINUED)

Education	$3,932,620
Facilities	916,903
Special Education	324,974
	$5,174,497

NOTE 7 RETIREMENT PLAN

The School has a 401(k) Retirement Plan (Plan). All employees are eligible to participate in the Plan upon hiring. The School contributes 3% of the employee's salary if approved in the budget. In fiscal year 2019, the School's contributions to the Plan was $31,356.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Commitments

During the fiscal year, the School signed a ten year occupancy lease with Howard University for the property at 1240 Randolph Street, N.E. Rent expense for fiscal year 2019 was $881,453.

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

2020	$ 854,272
2021	871,358
2022	888,785
2023	906,561
2024	924,692
Thereafter	1,905,236
	$6,350,904

At June 30, 2019, the School had outstanding rent payments due to Howard University of $603,750. The School is in negotiations with Howard University to purchase the building. No formal agreement has been reached related to the building purchase.

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 and management, 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 9 SUBSEQUENT EVENTS

The School has evaluated any subsequent events through December 23, 2019, 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 CONTRACT AWARDS OVER $25,000
FOR THE YEAR ENDED JUNE 30, 2019

Vendor Name	Type of Service	Contract Award	Amount Paid
Mitch Rich Communications, LLC.	Social Media Services	$ -	$ 48,818
Greenscape Environmental Services, Inc.	Maintenance and Repairs	$ -	$ 64,000
Paradigm Therapy Partners	Special Education Services	$ 50,000	$ 80,000
PEPCO	Utilities	N/A	$ 52,262
Antoine Carter	Maintenance and Repairs	$ -	$ 81,750
EdOps	Finance, Accounting, and Student Data Services	$ -	$ 112,527
American Reading Company	Educational Program and Materials	$ -	$ 47,500
DC Health Link	Health Insurance	N/A	$ 213,383
Innovative Results, LLC	Consulting (DD, SPED, Grants, etc.)	$ -	$ 202,702
Luncheras DiSillo	Food Services	$ 277,170	$ 252,147
Howard University	Rent	N/A	$ 881,453
Bert Corona Leadership Institute	Contracted Staff	$ -	$ 55,570
W/L Gary Company, Inc.	Maintenance and Repairs	$ -	$ 53,985
Delta-T-Group	Contracted Staff	$ -	$ 47,878
Guardian Insurance	Health Insurance	N/A	$ 29,472
Canon Financial Services	Copier	$ -	$ 27,983
Amazon	Various Goods	N/A	$ 52,153

**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, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. We did identify a certain deficiency in internal control, as described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a significant deficiency.

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*.

The School's Response to Finding

XXX

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.

December 23, 2019
Washington, D.C.

SHINING STARS MONTESSORI ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDING AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2019

2019-001	***Retention of Credit Card Receipts***
Criteria:	All transactions recorded in the School's accounting records must be supported by adequate documentation.
Condition:	The School has a credit card that it utilized during the fiscal year to purchase goods and services. The School was unable to provide the receipts for some of the credit card transactions tested.
Cause:	The School does not have an adequate system in place to track and maintain the credit card receipts.
Effect:	Although the School communicated the purpose and nature of the credit card transactions, the information could not be verified.
Recommendation:	We recommend the School establish a system for tracking and maintaining its credit card receipts.
Views of Responsible Management Officials:	