

STARVISTA

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FINANCIAL STATEMENTS,  
SUPPLEMENTAL SCHEDULE,  
and  
ADDITIONAL INFORMATION

JUNE 30, 2016

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
StarVista

### Report on the Financial Statements

We have audited the accompanying financial statements of StarVista (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2016, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' 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 auditors' 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 StarVista 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.

## INDEPENDENT AUDITORS' REPORT

continued

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### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulation* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for 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.

#### *Summarized Comparative Information*

We have previously audited StarVista's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017, on our consideration of StarVista'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 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 StarVista's internal control over financial reporting and compliance.

*Harrington Group*

San Francisco, California  
January 12, 2017

**STARVISTA**

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With comparative totals at June 30, 2015

	Unrestricted	Temporarily Restricted	2016	2015
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 418,088	\$ 304,890	\$ 722,978	\$ 785,787
Accounts receivable	2,179,508		2,179,508	2,024,627
Investments (Note 3)	11,014		11,014	1,000
Prepaid expenses and other assets	67,437		67,437	62,016
Property and equipment (Note 4)	225,932		225,932	206,939
<b>TOTAL ASSETS</b>	<b>\$ 2,901,979</b>	<b>\$ 304,890</b>	<b>\$ 3,206,869</b>	<b>\$ 3,080,369</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 137,450	\$ -	\$ 137,450	\$ 100,999
Accrued liabilities (Note 5)	779,128		779,128	792,567
Note payable (Note 7)	138,000		138,000	138,000
<b>TOTAL LIABILITIES</b>	<b>1,054,578</b>	<b>-</b>	<b>1,054,578</b>	<b>1,031,566</b>
<b>NET ASSETS</b>				
Unrestricted	1,847,401		1,847,401	1,801,413
Temporarily restricted (Note 10)		304,890	304,890	247,390
<b>TOTAL NET ASSETS</b>	<b>1,847,401</b>	<b>304,890</b>	<b>2,152,291</b>	<b>2,048,803</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,901,979</b>	<b>\$ 304,890</b>	<b>\$ 3,206,869</b>	<b>\$ 3,080,369</b>

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

**STARVISTA**

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	2016	2015
<b>REVENUE AND SUPPORT</b>				
Government contracts	\$ 10,088,210	\$ -	\$ 10,088,210	\$ 9,526,508
Foundation grants	660,900	97,500	758,400	848,634
Program fees	752,148		752,148	845,587
Contributions	410,833		410,833	398,630
Special events, net of expenses \$27,183	97,667		97,667	65,924
Miscellaneous income	27,084		27,084	30,315
Net assets released from program restrictions	40,000	(40,000)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	12,076,842	57,500	12,134,342	11,715,598
<b>EXPENSES</b>				
Program services	11,551,568		11,551,568	11,216,498
General and administration	58,922		58,922	-
Fundraising	420,364		420,364	498,779
<b>TOTAL EXPENSES</b>	12,030,854	-	12,030,854	11,715,277
<b>CHANGE IN NET ASSETS</b>	45,988	57,500	103,488	321
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,801,413	247,390	2,048,803	2,048,482
<b>NET ASSETS, END OF YEAR</b>	\$ 1,847,401	\$ 304,890	\$ 2,152,291	\$ 2,048,803

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

STARVISTA

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	Program Services					Fundraising	General and Administration	Total Expenses	
	Early Childhood and Family Services	Youth Empowerment Services	Wellness and Recovery Services	Clinical and Community Services	Total Program Services			2016	2015
Salaries	\$ 3,025,638	\$ 1,713,410	\$ 1,657,579	\$ 501,376	\$ 6,898,005	\$ 244,837	\$ 1,005,110	\$ 8,147,950	\$ 7,904,537
Payroll taxes and employee benefits	658,290	392,473	389,404	122,951	1,563,118	41,539	206,997	1,811,654	1,797,594
Total personnel costs	3,683,928	2,105,883	2,046,983	624,327	8,461,121	286,376	1,212,107	9,959,604	9,701,931
Occupancy	156,942	193,674	219,037	16,147	585,800	5,988	155,080	746,868	720,631
Client related expenses	46,280	281,311	63,996	12,171	358,378	0	0	358,378	408,003
Professional fees	38,550	10,967	13,058	18,583	88,888	0	73,754	162,642	162,441
Communications	22,978	42,693	39,272	1,787	122,102	1,789	36,411	160,302	119,334
Conferences and training	91,042	17,724	46,368	5,599	92,669	41,191	1,916	135,776	85,813
Travel and conferences	22,133	22,956	11,067	2,384	127,449	720	2,341	130,510	119,484
Supplies	2,936	6,797	5,842	8,182	100,450	3,759	23,123	127,332	157,969
Insurance	4,975	7,729	5,170	2,341	17,936	12,212	10,048	40,176	55,602
Postage and printing	4,155	9,678	7,920	1,575	23,328	2,422	17,400	39,077	45,622
Staff related expenses								36,253	36,253
Equipment rental								36,589	38,837
Depreciation and amortization								34,429	27,409
Miscellaneous expenses	228	908	-	98	1,234	3,824	28,567	35,625	35,948
Total functional expenses	4,074,847	2,740,794	2,488,374	694,575	9,998,590	358,281	1,673,983	12,030,854	11,715,277
before indirect expense allocation									
Indirect expense allocation	633,947	425,304	385,817	107,910	1,552,978	62,083	(1,615,061)	-	-
<b>TOTAL 2016 FUNCTIONAL EXPENSES</b>	<b>\$ 4,708,794</b>	<b>\$ 3,166,098</b>	<b>\$ 2,874,191</b>	<b>\$ 802,485</b>	<b>\$ 11,551,568</b>	<b>\$ 420,364</b>	<b>\$ 58,922</b>	<b>\$ 12,030,854</b>	
<b>AFTER INDIRECT EXPENSE ALLOCATION</b>									
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 4,523,236	\$ 3,073,277	\$ 2,867,082	\$ 752,903	\$ 11,216,498	\$ 498,779	\$ -	\$ 12,015,277	\$ 11,715,277

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

## STARVISTA

### STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 103,488	\$ 321
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	34,429	27,409
(Increase) decrease in operating assets:		
Accounts receivable	(154,881)	(442,133)
Prepaid expenses and other assets	(5,421)	15,676
Increase (decrease) in operating liabilities:		
Accounts payable	36,451	16,024
Accrued liabilities	(13,439)	(58,713)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>627</b>	<b>(441,416)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(53,422)	(21,662)
Purchase of investments	(10,014)	-
Proceeds from sale of investments	-	5,070
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(63,436)</b>	<b>(16,592)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New borrowings on line of credit	620,000	300,000
Payments on line of credit	(620,000)	(300,000)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(62,809)</b>	<b>(458,008)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>785,787</b>	<b>1,243,795</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 722,978</b>	<b>\$ 785,787</b>

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



# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization

StarVista is a nonprofit 501(c)(3) organization incorporated in the State of California. StarVista's major sources of revenue are government contracts, foundation, and other grants. StarVista provides a comprehensive array of free or low-cost multi-lingual social services to residents of San Mateo County. StarVista is dedicated to helping children, youth, and adults make positive changes in their lives providing them with the support and tools to build their skills and enhance their strengths. The following programs aid in achievement of these goals:

#### **Early Childhood and Family Services:**

*Our Early Childhood Community Team* – strives to foster healthy cognitive, emotional and social development for children prenatal through age five(5), with a special focus on infants and children under three(3). Starvista serves children and their families located specifically in the Half Moon Bay, Pescadero, La Honda, Daly City, South San Francisco and Redwood City Communities.

*Differential Response* - A home visiting and case management service for families who have been reported to Child Protective Services but evaluated as low-risk. To strengthen the family's ability to function, case managers help link the families to resource centers, in-home therapy, and other services in schools and the local community.

*ECMHC Program* - Provides mental health consultation, early intervention services, direct clinical support for parents and caregivers on-site at subsidized childcare centers.

*Healthy Homes* – A county-wide, comprehensive, family support program serving pregnant women and families, with children birth through age 5, who are facing a variety of stressors in their lives. Through the provision of groups, parent support, education and mental health services. Healthy Homes strives to prevent child abuse and neglect, enhance the parent-child relationship, and reduce the impact of risk factors such as domestic violence, trauma, poverty, food insecurity, substance abuse, mental illness and language barriers among others.

*Family Stabilization Team ("FST")* – is a collaborative effort between San Mateo County Human Services Agency/Cal Works and Starvista. FST provides intensive home and community based support services for the purpose of stabilizing the family and increasing success in participation in welfare to work activities. FST services are voluntary, and are offered to Cal-Works participants who are experiencing a crisis situation or other destabilizes the family.

*Prenatal-to-Three* - A home visiting service for Medi-Cal eligible mothers who are pregnant or families with a child under three years of age. The program provides public health services, links to community resources, parenting classes, and mental health services to families with the goal of ensuring the healthy early brain development of the children.

#### **Clinical and Community Services:**

*Counseling Center* - Provides affordable family counseling services for children, adolescents, adults and families, covering relationship issues, behavioral concerns, depression/anxiety, life transitions, peer conflicts, homework stress, self-esteem, and more. Clients are able to learn new coping strategies, change negative patterns, and increase parenting skills.

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**, continued

*School Based Services* - Provides family and group counseling services to middle and high schools throughout San Mateo County. Psycho-education and counseling help at-risk youth and their families learn about anger management, socialization skills, and self-esteem. Diversion for first-time misdemeanor offenses, crisis intervention, and youth development services are also available.

*The Children Place* - Offers prevention services for children of parents who are addicted to drugs or alcohol. In an effort to break the cycle of addiction, the program uses education and counseling to teach children about addiction, help them learn healthy coping and safety skills, build their self-esteem, and help them realize that they are not alone.

*The Foster Youth Education and Enrichment Services* - is an innovative program dedicated to support foster youth in San Mateo County in achieving successful outcomes in education and enrichment by providing case management services to children in foster care, grades Kindergarten – 8<sup>th</sup> grade. Through assessing, intervening and providing comprehensive services to children in foster care, this program improves outcomes for our children in foster care.

#### **Wellness and Recovery Services:**

*Archway* - Provides court-mandated education and counseling for adults convicted of domestic violence offences, drug possession, being under the influence of illegal drugs, or driving under the influence of drugs or alcohol. Participants learn about addiction, anger management, stress management and communication, as well as the legal and social consequences of their actions.

*Crisis Intervention and Suicide Prevention Center* - Provides education and crisis intervention services for schools, a 24-hour suicide crisis hotline, online teen support and chatroom, an alcohol and drug helpline, and a parent support hotline.

*First Chance Outpatient Services* - An outpatient program for non-violent simple drug possession offenders that provides substance abuse treatment instead of incarceration, as dictated by California Proposition 36. Participants learn about anger management, domestic violence, mental health, parenting, and receive case management, individual, and group counseling, follow-up support, and referrals to other resources.

*First Chance Sobering Station* - A 24-hour program that serves as an alternative to jail for persons arrested for driving under the influence or public intoxication. Services include housing during the period of inebriation, substance abuse assessment, referral services and extended case management.

*Women's Enrichment Center* - An intensive day treatment program for women diagnosed with both substance abuse and mental health issues. Clients attend five-hour classes five days a week, learning about addiction and mental health while managing housing, occupational, finance, parenting, medical, and dental issues.

*Child and Adolescent Hotline & Prevention* - Program is a hotline that is available 24/7 for parents of children of all ages (0-18), as well as educators, counselors, doctors, coaches, and members of the community. CAHPP's licensed clinicians respond to callers and texters with questions regarding a child who may be having difficulty reaching developmental milestones and/or is exhibiting concerning and/or unusual behavior.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**, continued

#### **Youth Empowerment Services:**

*Daybreak* - Provides transitional housing and independent living skills training for homeless teens aged 16-21. Residents participate in a structured twelve-month program where they are required to attend school, work, and save a portion of their paychecks. Youth are connected to medical and mental health services, and learn how to shop, cook, manage their money, find and maintain a job, and locate housing.

*Insights* - A voluntary drug and alcohol recovery program that empowers youth to take responsibility and facilitate positive, lasting changes for themselves and for their families. Through case management, individual, group, and family counseling, participants learn about anger management, relationships, mental health, communicating with parents, and more.

*GIRLS Program* - An intensive court-mandated program that provides assessment, counseling, and case management services for incarcerated girls aged 13-18. The program's goals are to improve the young women's psychological well-being, physical health, emotional stability, family/social interactions, occupational readiness, and intellectual growth.

*Transitional Housing Youth Services* - A program that provides housing or rental assistance with comprehensive supportive case management services for qualified former foster care and probation youth ages 18 to 24. Youth participating in this program are required to work and/or go to school while learning independent living skills.

*Youth House South* - Provides 24-hour emergency and temporary housing for runaway and homeless youth and those whose families are in crisis. Youth up to age 17 participate in a structured program that includes individual, group, and family counseling, with a goal of reuniting the youth with their families.

*Youth Development Initiative* - Promotes and advocates the healthy development of youth through leadership resiliency groups, peer mediation and youth advisory board. High-school students are able to learn about and survey health and wellness, be trained to provide peer mediation and conduct research to reflect the current areas of need reported by youth in our community.

### 2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of StarVista are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions. StarVista reports as an increase in unrestricted net assets any restricted revenue for which the restrictions have been met in the current year.

**Temporarily Restricted.** StarVista reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 program or capital restrictions. Temporarily restricted net assets are \$304,890 at June 30, 2016 (see Note 10).

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit StarVista to expend all of the income (or other economic benefits) derived from the donated assets. StarVista has no permanently restricted net assets at June 30, 2016.

#### Cash and Cash Equivalents

StarVista considers all short-term investments with an original maturity date of three months or less to be cash and cash equivalent.

#### Accounts Receivable

Accounts receivable are receivables from governmental agencies and are considered fully collectible. Therefore, no allowance for doubtful accounts has been provided.

#### Concentration of Credit Risks

StarVista places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. StarVista has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2016 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of StarVista's receivables consist of earned fees from contract programs granted by governmental agencies.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Investments**

StarVista values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statements of Activities as gain (loss) on investments. Short-term highly liquid certificate of deposit that is not used for operations is treated as investments under a conservative investment policy developed by the Board.

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets which range from five to twenty-seven and one half years. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

#### **Donated Materials and Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at fair value in the period received.

A number of unpaid volunteers have made significant contributions of their time to StarVista. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

#### **Income Taxes**

StarVista is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by StarVista in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. StarVista's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### Functional Allocation of Expenses

The costs of providing StarVista's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

#### 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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### Comparative Totals

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with StarVista's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

#### Subsequent Events

Management has evaluated subsequent events through January 12, 2017, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

### 3. Investments

Investments at June 30, 2016 consist of other investments in the amount of \$11,014.

### 4. Property and Equipment

Property and equipment at June 30, 2016 consist of the following:

Leasehold improvements	\$ 313,793
Building	244,378
Furniture and equipment	172,153
Land	<u>70,535</u>
	800,859
Less: accumulated depreciation and amortization	<u>(574,927)</u>
	<u>\$ 225,932</u>

Depreciation and amortization expense for the year ended June 30, 2016 was \$34,429.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 5. **Accrued Liabilities**

Accrued liabilities at June 30, 2016 consist of the following:

Accrued salaries and payroll taxes	\$280,961
Accrued vacation	407,110
Other accrued liabilities	<u>91,057</u>
	<u>\$779,128</u>

### 6. **Line of Credit**

StarVista has a revolving line of credit with a bank, in the amount of \$1,000,000, at an interest rate equal to the greater of a floating rate equal to the index plus 1.5% ("the Index Rate") or the Floor Rate of 5%, due April 2017. The Index Rate is the Prime Rate set by the Bank from time to time. Line of credit is renewable annually.

### 7. **Note Payable**

StarVista has a non-interest bearing note payable to various local governments, collateralized by land and building, payable in one installment of \$138,000 in June 2040. At the time the principal is repaid, the note holders are entitled to payment, representing their proportional share of appreciation of the land and building. At June 30, 2016 the outstanding balance was \$138,000.

### 8. **Employee Benefit Plans**

StarVista sponsors a section 403(b) and a 401(k) salary reduction plan. Eligible employees can make voluntary contributions up to the extent allowable by law. The agency determines annually if it will make discretionary contributions to the plan. For the year ended June 30, 2016, StarVista did not make any discretionary contributions.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 9. Commitments and Contingencies

#### Obligations Under Operating Leases

StarVista leases real property and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended June 30,</u>	
2017	\$ 619,280
2018	600,195
2019	297,005
2020	133,807
2021	<u>33,737</u>
	<u>\$1,684,024</u>

Rent expense under operating leases for the year ended June 30, 2016 was \$671,142.

#### Contracts

StarVista's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, StarVista has no provision for the possible disallowance of program costs on its financial statements.

### 10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 consist of the following:

Daybreak Loan	\$207,390
HH-David and Lucille Packard	45,000
Insights-Peninsula Healthcare District	20,000
Insights-Myra Reinhard	20,000
Crisis Center-Peninsula Healthcare District	<u>12,500</u>
	<u>\$304,890</u>

StarVista owns and operates a transitional youth housing center which houses the Daybreak program. The building was purchased through Community Development Block Grant ("CDBG") loans passed through from local government units (see Note 7). This building is restricted as to use for transitional youth housing, and is currently classified under the Daybreak program.

For the year ended June 30, 2016, net assets released from program restrictions were \$40,000.



**SUPPLEMENTAL SCHEDULE**

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**STARVISTA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2016

<u>Program Name</u>	<u>Contract Number</u>	<u>Federal CFDA No.</u>	<u>Contract Term</u>	<u>Expenditures</u>
<b>Federal Awards</b>				
U.S. Department of Health and Human Services ("DHHS"):				
Pass-through, County of San Mateo - Foster Care Title IV-E (a)	various	93.658	7/1/15 - 6/30/16	\$ 254,377
Medical Assistance Program:				
Pass-through, County of San Mateo: Counseling Center	72936	93.778	7/1/15 - 6/30/16	45,649
Pass-through, County of San Mateo: Healthy Homes Program	72936	93.778	7/1/15 - 6/30/16	13,623
Pass-through, County of San Mateo: Insights Program	72936	93.778	7/1/15 - 6/30/16	<u>14,738</u>
				74,010
Block Grants for Prevention and Treatment of Substance Abuse		93.959	7/1/15 - 6/30/16	110,313
Temporary Assistance for Needy Families		93.558	7/1/15 - 6/30/16	<u>175,825</u>
<b>Subtotal pass-through, County of San Mateo</b>				<b><u>614,525</u></b>
Federal Basic Center - Direct	90CY6653/01-00	93.623	9/30/15 - 9/29/16	<u>200,000</u>
<b>Total DHHS</b>				<b><u>814,525</u></b>
U.S. Department of Justice ("DOJ"):				
Pass-through, County of San Mateo: Probation - Victim Impact Awareness		16.523	7/1/15 - 6/30/16	20,173
Pass-through, United States District Court: Probation Office - First Chance Outpatient/Archway	NA	16.XXX	10/1/15 - 9/30/16	<u>127,025</u>
<b>Total DOJ</b>				<b><u>147,198</u></b>
U.S. Department of Housing and Urban Development ("HUD"):				
Pass-through, City of Redwood City: Community Development Block Grant		14.218	7/1/15 - 6/30/16	<u>15,477</u>
<b>Total HUD</b>				<b><u>15,477</u></b>
<b>Total Federal Awards</b>				<b><u>\$ 977,200</u></b>
<b>Federal Loan Programs</b>				
U.S. Department of Housing and Urban Development:				
Community Development Block Grant		14.219		<u>\$ 138,000</u>
<b>Total Federal Loans</b>				<b><u>\$ 138,000</u></b>

(a) Audited as a major program

**Summary of Significant Accounting Policies:**

- 1) Basis of Accounting - The Schedule of Expenditures of Federal Awards has been reported on the accrual basis of accounting.
- 2) StarVista is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See independent auditors' report.

**ADDITIONAL INFORMATION**

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Certified Public Accountants, LLP

**Independent Auditors' 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***

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To the Board of Directors  
StarVista

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 StarVista (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2016, and the related Statements of Activities, Functional Expense, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered StarVista'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 StarVista's internal control. Accordingly, we do not express an opinion on the effectiveness of StarVista'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 StarVista'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 StarVista's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harrington Group*

San Francisco, California  
January 12, 2017

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**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

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To the Board of Directors  
StarVista

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

We have audited StarVista's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of StarVista's major federal programs for the year ended June 30, 2016. StarVista's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of StarVista's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about StarVista's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of StarVista's compliance.

**Opinion on Each Major Federal Program**

In our opinion, StarVista complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

Management of StarVista is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered StarVista's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of StarVista's internal control over compliance.

**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**  
continued

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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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Harrington Group*

San Francisco, California  
January 12, 2017

**STARVISTA**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2016

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**Section I – Summary of Auditors’ Results**

Financial Statements:

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit of Findings of the Uniform Guidance? No

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Identification of Major Programs:

U.S. Department of Health and Human Services:

Foster Care-Title IV-E 93.658

**Section II – Financial Statements Findings**

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

**Section III – Federal Award Findings and Questioned Costs**

There are neither findings nor questioned costs for Federal Awards as defined in the Uniform Guidance.

**Section IV – Summary Schedule of Prior Year Findings**

None.