

**STARVISTA**

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**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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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, 2018, 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, 2018, 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 Matter

#### *Report on Summarized Comparative Information*

We have previously audited StarVista's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 31, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of StarVista'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 StarVista's internal control over financial reporting and compliance.

*Harrington Group*

Oakland, California  
January 31, 2019

**STARVISTA**

STATEMENT OF FINANCIAL POSITION

June 30, 2018

With comparative totals at June 30, 2017

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 239,371	\$ 207,390	\$ 446,761	\$ 656,094
Accounts receivable	2,237,436		2,237,436	2,029,136
Investments (Note 3)	1,000		1,000	1,000
Prepaid expenses and other assets	123,813		123,813	105,649
Property and equipment (Note 4)	1,361,202		1,361,202	204,599
<b>TOTAL ASSETS</b>	<b>\$ 3,962,822</b>	<b>\$ 207,390</b>	<b>\$ 4,170,212</b>	<b>\$ 2,996,478</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 187,654	\$ -	\$ 187,654	\$ 142,376
Accrued liabilities (Note 5)	730,949		730,949	616,198
Lines of credit (Note 6)	250,000		250,000	-
Note payable (Note 7)	138,000		138,000	138,000
<b>TOTAL LIABILITIES</b>	<b>1,306,603</b>	<b>-</b>	<b>1,306,603</b>	<b>896,574</b>
<b>NET ASSETS</b>				
Unrestricted	2,656,219		2,656,219	1,892,514
Temporarily restricted (Note 10)		207,390	207,390	207,390
<b>TOTAL NET ASSETS</b>	<b>2,656,219</b>	<b>207,390</b>	<b>2,863,609</b>	<b>2,099,904</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,962,822</b>	<b>\$ 207,390</b>	<b>\$ 4,170,212</b>	<b>\$ 2,996,478</b>

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

## STARVISTA

### STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

With comparative totals for the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	2018	2017
<b>REVENUE AND SUPPORT</b>				
Government contracts	\$ 10,981,728	\$ -	\$ 10,981,728	\$ 10,175,398
Program fees	1,159,105		1,159,105	757,098
Foundation grants	397,500	580,000	977,500	802,900
Contributions	322,494		322,494	445,908
Special events, net of expenses \$29,411	120,214		120,214	93,593
Miscellaneous income	92,314		92,314	60,497
Net assets released from restrictions (Note 10)	580,000	(580,000)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>13,653,355</u>	<u>-</u>	<u>13,653,355</u>	<u>12,335,394</u>
<b>EXPENSES</b>				
Program services	12,992,994		12,992,994	11,829,509
General and administration	19,945		19,945	58,490
Fundraising	598,438		598,438	499,782
<b>TOTAL EXPENSES</b>	<u>13,611,377</u>	<u>-</u>	<u>13,611,377</u>	<u>12,387,781</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	41,978	-	41,978	(52,387)
<b>OTHER CHANGES</b>				
Transfer of assets due to acquisition (Note 11)	721,727		721,727	-
<b>CHANGE IN NET ASSETS</b>	763,705	-	763,705	(52,387)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,892,514</u>	<u>207,390</u>	<u>2,099,904</u>	<u>2,152,291</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,656,219</u>	<u>\$ 207,390</u>	<u>\$ 2,863,609</u>	<u>\$ 2,099,904</u>

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

STARVISTA

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2018  
With comparative totals for the year ended June 30, 2017

	Program Services				Total Program Services	General and Administration	Fundraising	Total Expenses	
	Early Childhood and Family Services	Youth Empowerment Services	Wellness and Recovery Services	Clinical and Community Services				2018	2017
Salaries	\$ 3,066,329	\$ 1,157,059	\$ 2,435,017	\$ 821,988	\$ 7,480,393	\$ 1,083,040	\$ 397,602	\$ 8,961,035	\$ 8,188,700
Payroll taxes and employee benefits	646,878	256,762	559,362	172,847	1,635,849	244,511	75,531	1,955,891	1,846,212
Total personnel costs	3,713,207	1,413,821	2,994,379	994,835	9,116,242	1,327,551	473,133	10,916,926	10,034,912
Occupancy	233,046	129,460	460,490	169,907	992,903	168,158	8,426	1,169,487	861,735
Professional fees	17,516	3,941	25,696	176,293	223,446	131,871	8,000	363,317	252,448
Client related expenses	7,385	171,332	75,787	17,484	271,988			271,988	365,975
Communications	53,403	19,727	57,577	18,951	149,658	39,345	1,575	190,578	188,175
Supplies	47,151	18,036	29,231	17,119	111,537	43,629	3,389	158,555	143,693
Travel and conferences	58,677	9,638	14,787	5,905	89,007	2,878	275	92,160	129,739
Consultants and training	48,523	5,745	22,015	6,118	82,401	6,841	644	89,886	131,994
Miscellaneous expenses	4,184	1,518	15,401	4,999	26,102	51,181	4,315	81,598	48,469
Insurance					-	73,644		73,644	68,444
Depreciation and amortization					-	64,656		64,656	36,501
Staff related expenses	9,561	8,006	7,884	7,277	32,728	20,257	273	53,258	49,171
Postage and printing	5,417	1,857	5,413	11,817	24,504	10,566	9,485	44,555	41,966
Equipment rental	7,541	6,797	12,803	5,251	32,392	8,377		40,769	34,559
Total functional expenses before indirect expense allocation	4,205,611	1,789,878	3,721,463	1,435,956	11,152,908	1,948,954	509,515	13,611,377	12,387,781
Indirect expense allocation	693,927	295,328	613,897	236,934	1,840,086	(1,929,009)	88,923	-	-
<b>TOTAL 2018 FUNCTIONAL EXPENSES AFTER INDIRECT EXPENSE ALLOCATION</b>	<b>\$ 4,899,538</b>	<b>\$ 2,085,206</b>	<b>\$ 4,335,360</b>	<b>\$ 1,672,890</b>	<b>\$ 12,992,994</b>	<b>\$ 19,945</b>	<b>\$ 598,438</b>	<b>\$ 13,611,377</b>	
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 4,533,348	\$ 2,896,971	\$ 3,047,940	\$ 1,351,250	\$ 11,829,509	\$ 58,490	\$ 499,782		\$ 12,387,781

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

# STARVISTA

STATEMENT OF CASH FLOWS  
For the year ended June 30, 2018  
With comparative totals for the year ended June 30, 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 763,705	\$ (52,387)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Transfer of assets due to acquisition	(721,727)	-
Net effect of acquisition into cash	(37,244)	-
Depreciation and amortization	64,656	36,501
(Increase) decrease in operating assets:		
Accounts receivable	(208,300)	150,372
Prepaid expenses and other assets	(18,164)	(38,212)
Increase (decrease) in operating liabilities:		
Accounts payable	45,278	4,926
Accrued liabilities	114,751	(162,930)
	<b>2,955</b>	<b>(61,730)</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(212,288)	(15,168)
Proceeds from sale of investments	-	10,014
	<b>(212,288)</b>	<b>(5,154)</b>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New borrowings on lines of credit	800,000	1,000,000
Payments on lines of credit	(800,000)	(1,000,000)
	<b>-</b>	<b>-</b>
<b>NET CASH BY FINANCING ACTIVITIES</b>		
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(209,333)</b>	<b>(66,884)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>656,094</b>	<b>722,978</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 446,761</b>	<b>\$ 656,094</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Operating activities reflect interest paid of:	<b>\$ 63,464</b>	<b>\$ 34,270</b>
Transfer of property and equipment due to acquisition	<b>\$ 1,008,971</b>	<b>\$ -</b>
Transfer of line of credit due to acquisition	<b>\$ 250,000</b>	<b>\$ -</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:**

*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.

*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.

*Children and Family Resource Center* – Provides clinical services for children and families in San Mateo County's most vulnerable communities. StarVista collaborates closely with school administrators and educators to identify students who would benefit from therapeutic services.

*Health Ambassador Program - Youth (also known as HAP-Y)* – Seeks to train youth aged 16-24 to become health ambassadors. Training covers common challenges in mental wellness, learning the signs and risks of suicide, suicide prevention, and how to access mental health services.

#### **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.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

*The Children's 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.

*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.

*Pride Center* – Provides intensive support services for individuals and families in the LGBTQ+ community. The Center is a partnership between StarVista and the various organizations in the community.

#### **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.

*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.

*Bridges* – Intensive outpatient treatment program focused on helping formerly incarcerated alcohol and drug offenders end the cycle of substance abuse and crime. This collaborative program was created to make a difference in the lives of addicted offenders who had given up hope of changing their circumstances.

*School Based Services* – School Based-sends qualified mental health clinicians into more than 30 elementary and high schools to provide a myriad of services, including individual and group therapy, assessment, psycho-education, crisis intervention, classroom presentations and teacher consultation. The goal of this program is to improve aspects of students' lives that may lead to enhanced school performance and engagement in learning.

*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.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

*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, “receive group and individual therapy and learn” about addiction and mental health while managing housing, occupational, finance, parenting, medical, and dental issues.

*DUI* - Helping offenders comply with local court, state system, and DMV mandates. Services include individual and group counseling and education, with daytime, evening, and weekend groups available through first offender and multiple offender programs.

#### **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.

*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.

*Institutions (for GIRLS)* - Offers individual, group, and case management services for youth currently incarcerated. Provides after-care case management services for youth that have been released on probation.

*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.

*Mindfulness Based Substance Abuse Treatment (MBSAT)* – Helping individuals improve their overall wellness. Services provided exclusively to young people in the community that are attempting to overcome stress, anxiety, substance use and improve. Participants will learn to stay present, work through life's stressors more effectively, and reduce the need for substances to cope.

*Your 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.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 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.

#### **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 restrictions. Temporarily restricted net assets are \$207,390 at June 30, 2018 (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, 2018.

#### **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 equivalents.

#### **Accounts Receivable**

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

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

#### 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, 2018 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.

#### 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 \$1,500 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.

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

#### **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.

#### **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, 2017, from which the summarized information was derived.

#### **Subsequent Event**

Management has evaluated subsequent events through January 31, 2019, 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.

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 3. Investments

Investments at June 30, 2018 consist of other investments in the amount of \$1,000.

### 4. Property and Equipment

Property and equipment at June 30, 2018 consist of the following:

Land	\$ 640,535
Building	674,378
Leasehold improvements	409,326
Furniture and equipment	<u>313,047</u>
	2,037,286
Less: accumulated depreciation and amortization	<u>(676,084)</u>
	<u>\$1,361,202</u>

Depreciation and amortization expense for the year ended June 30, 2018 was \$64,656.

### 5. Accrued Liabilities

Accrued liabilities at June 30, 2018 consist of the following:

Accrued vacation	\$518,335
Accrued salaries and payroll taxes	207,191
Other accrued liabilities	<u>5,423</u>
	<u>\$730,949</u>

### 6. Lines 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 1.25% (“the Index Rate”) or the Floor Rate of 5.00%, due May 2019. The Index Rate is the Prime Rate set by the Bank from time to time. The line of credit is renewable annually. At June 30, 2018 there was no outstanding balance.

StarVista has a revolving line of credit with a bank, in the amount of \$250,000, at an interest rate equal to the greater of a floating rate equal to the index plus 2.00% (“the Index Rate”) or the Floor Rate of 4.75%, due January 2020. The Index Rate is the Prime Rate set by the Bank from time to time. The line of credit is renewable annually. At June 30, 2018 the outstanding balance was \$250,000.

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# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2018 the outstanding balance was \$138,000.

### 8. Employee Benefit Plans

StarVista sponsors a section 403(b) and a 401(k) salary reduction plans. 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 plans. For the year ended June 30, 2018, StarVista did not make any discretionary contributions.

### 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>	
2019	\$ 955,371
2020	612,908
2021	454,156
2022	201,769
2023	<u>81,463</u>
	<u>\$2,305,667</u>

Rent expense under operating leases for the year ended June 30, 2018 was \$994,136.

#### 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.



# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 consist of the following:

Daybreak loan	<u>\$207,390</u>
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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, 2018, there were no net assets released from program restrictions.

### 11. Transfer of Assets due to Acquisition

On July 3, 2017, StarVista acquired Pyramid Alternatives, Inc. (“Pyramid”) (a California nonprofit public benefit corporation). Under the terms of the agreement, StarVista as the surviving corporation acquired the assets and assumed the liabilities of Pyramid at the acquisition date. No consideration was given as part of this transfer.

The following assets and liabilities were transferred from Pyramid to StarVista:

Cash	\$ 5,719
Accounts receivable	70,971
Other assets	11,315
Property and equipment	1,008,971
Accounts payable	(12,211)
Accrued expenses	(113,038)
Line of credit	<u>(250,000)</u>
Net transfer of assets	<u>\$ 721,727</u>