

**STARVISTA**

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**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 February 8, 2021, 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

February 8, 2021

## STARVISTA

### STATEMENT OF FINANCIAL POSITION

June 30, 2020

With comparative totals at June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 3,072,421	\$ 207,390	\$ 3,279,811	\$ 476,316
Accounts receivable	2,240,375		2,240,375	2,477,498
Investments (Note 4)	1,000		1,000	1,000
Prepaid expenses and other assets	167,312		167,312	147,629
Property and equipment (Note 5)	1,452,659		1,452,659	1,351,473
<b>TOTAL ASSETS</b>	<b>\$ 6,933,767</b>	<b>\$ 207,390</b>	<b>\$ 7,141,157</b>	<b>\$ 4,453,916</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 201,799	\$ -	\$ 201,799	\$ 339,108
Accrued liabilities (Note 6)	1,601,787		1,601,787	1,109,432
Lines of credit (Note 7)			-	-
Note payable (Note 8)	138,000		138,000	138,000
Paycheck Protection Program loan (Note 9)	2,490,000		2,490,000	-
<b>TOTAL LIABILITIES</b>	<b>4,431,586</b>	<b>-</b>	<b>4,431,586</b>	<b>1,586,540</b>
<b>NET ASSETS</b>				
Without donor restrictions	2,502,181		2,502,181	2,659,986
With donor restrictions (Note 12)		207,390	207,390	207,390
<b>TOTAL NET ASSETS</b>	<b>2,502,181</b>	<b>207,390</b>	<b>2,709,571</b>	<b>2,867,376</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,933,767</b>	<b>\$ 207,390</b>	<b>\$ 7,141,157</b>	<b>\$ 4,453,916</b>

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

**STARVISTA**

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
<b>REVENUE AND SUPPORT</b>				
Government contracts	\$ -	\$ 12,853,667	\$ 12,853,667	\$ 12,303,228
Program fees	1,001,741		1,001,741	1,164,179
Foundation grants	353,456	630,000	983,456	718,000
Contributions	629,290		629,290	675,935
Miscellaneous income	159,711		159,711	147,596
Special events, net of expenses \$20,692	77,387		77,387	78,400
Net assets released from restrictions (Note 12)	13,483,667	(13,483,667)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	15,705,252	-	15,705,252	15,087,338
<b>EXPENSES</b>				
Program services	15,036,237		15,036,237	14,489,797
General and administration	3,101		3,101	601
Fundraising	823,719		823,719	593,173
<b>TOTAL EXPENSES</b>	15,863,057	-	15,863,057	15,083,571
<b>CHANGE IN NET ASSETS</b>	(157,805)	-	(157,805)	3,767
<b>NET ASSETS, BEGINNING OF YEAR</b>	2,659,986	207,390	2,867,376	2,863,609
<b>NET ASSETS, END OF YEAR</b>	\$ 2,502,181	\$ 207,390	\$ 2,709,571	\$ 2,867,376

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

STARVISTA

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	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				2020	2019
Salaries	\$ 3,492,149	\$ 1,423,648	\$ 2,717,134	\$ 972,226	\$ 8,605,157	\$ 1,319,791	\$ 500,949	\$ 10,425,897	\$ 9,696,240
Payroll taxes and employee benefits	666,668	277,519	526,993	203,547	1,674,727	246,692	85,186	2,006,605	2,062,320
Total personnel costs	4,158,817	1,701,167	3,244,127	1,175,773	10,279,884	1,566,483	586,135	12,432,502	11,758,560
Occupancy	280,873	138,392	418,931	174,026	1,012,222	169,858	9,696	1,191,776	1,130,774
Client related expenses	37,466	855,815	61,131	32,982	987,394			987,394	953,192
Professional fees	419	882	9,885	122,175	133,361	179,394		312,755	338,873
Communications	66,739	20,497	58,774	14,661	160,671	42,446	1,850	204,967	181,162
Supplies	36,337	22,728	39,535	14,905	113,505	33,943	18,421	165,869	160,478
Consultants and training	7,678	1,427	27,769	4,431	41,305	5,951	64,394	111,650	68,877
Miscellaneous expenses	4,807	1,211	6,594	4,245	16,857	63,220	9,996	90,073	69,109
Depreciation and amortization					-	89,346		89,346	80,282
Insurance					-	81,587		81,587	81,888
Travel and conferences	39,716	10,728	9,938	6,145	66,527	2,343	144	69,014	117,097
Postage and printing	8,000	3,069	10,180	4,611	25,860	10,919	11,037	47,816	55,130
Staff related expenses	9,154	6,546	7,873	3,776	27,349	10,153	1,830	39,332	46,527
Equipment rental	6,443	7,443	13,212	4,870	31,968	7,008		38,976	41,622
Total functional expenses before indirect expense allocation	4,656,449	2,769,905	3,907,949	1,562,600	12,896,903	2,262,651	703,503	15,863,057	15,083,571
Indirect expense allocation	772,972	458,464	648,505	259,393	2,139,334	(2,259,550)	120,216	-	-
<b>TOTAL 2020 FUNCTIONAL EXPENSES AFTER INDIRECT EXPENSE ALLOCATION</b>	<b>\$ 5,429,421</b>	<b>\$ 3,228,369</b>	<b>\$ 4,556,454</b>	<b>\$ 1,821,993</b>	<b>\$ 15,036,237</b>	<b>\$ 3,101</b>	<b>\$ 823,719</b>	<b>\$ 15,863,057</b>	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 4,980,685	\$ 3,108,221	\$ 4,609,215	\$ 1,791,676	\$ 14,489,797	\$ 601	\$ 593,173		\$ 15,083,571

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

## STARVISTA

STATEMENT OF CASH FLOWS  
For the year ended June 30, 2020  
With comparative totals for the year ended June 30, 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (157,805)	\$ 3,767
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	89,346	80,282
(Increase) decrease in operating assets:		
Accounts receivable	237,123	(240,062)
Prepaid expenses and other assets	(19,683)	(23,816)
Increase (decrease) in operating liabilities:		
Accounts payable	(137,309)	151,454
Accrued liabilities	492,355	378,483
	<b>504,027</b>	<b>350,108</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(190,532)	(70,553)
	<b>(190,532)</b>	<b>(70,553)</b>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New borrowings on lines of credit	900,000	1,000,000
Payments on lines of credit	(900,000)	(1,250,000)
Proceeds from Paycheck Protection Program loan	2,490,000	-
	<b>2,490,000</b>	<b>(250,000)</b>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,803,495</b>	<b>29,555</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>476,316</b>	<b>446,761</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,279,811</b>	<b>\$ 476,316</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.

*Child and Parent Services* – Provides range of services including family and individual therapy, parent education, parenting support, case management, as well as parenting groups in the community. These services are available to any family with a child 0-18. The focus of the program is to reduce caregiver stress through a strength-based and short-term approach. This program currently serves families residing in Daly City, South San Francisco, San Bruno, San Mateo, and Half Moon Bay.

*Differential Response* – A home visiting program that provides both individual and family therapy as well as case management services for families who have been referred by Child Protective Services and evaluated as low to moderate risk of neglect or abuse. 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, and clinical support for parents and caregivers on-site at subsidized childcare centers. The focus is on improving their ability to observe, understand, and respond to the needs of both the children and parents within their own programs.

*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. The program also provides the community with presentations regarding mental health topics such as general mental health information, suicide prevention, and cyberbullying.

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

*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.

*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:**

*Archnway* – 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.

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# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

*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.

*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.

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

*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.

### 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.

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

**With Donor Restrictions.** Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **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.

#### **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, 2020 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 \$2,500 and the useful life is greater than one year.

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

#### **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.

#### **Revenue and Revenue Recognition**

StarVista recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of StarVista's revenue is derived from cost-reimbursable federal, state, and county contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when StarVista has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

StarVista has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of StarVista's financial reporting.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

Analysis of various provisions of this standard resulted in no significant changes in the way StarVista recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

#### 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.

#### Recently Adopted Accounting Pronouncement

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes, or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. StarVista has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The ASU is effective for fiscal years beginning after December 31, 2018. Retrospective application is permitted. StarVista has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements for the year ended June 30, 2020 under a modified prospective basis, as management believes the standard improves the usefulness and the understandability of the entity's financial reporting. Accordingly, there is no effect on net assets in connection with StarVista's implementation of ASU 2018-08.

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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

#### 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, 2019, from which the summarized information was derived.

#### Subsequent Event

Management has evaluated subsequent events through February 8, 2021, 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. Liquidity and Availability of Resources

StarVista regularly monitors its liquidity to meet the operating needs of the organization. StarVista has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivables, as well as \$1.5 million credit lines from financial institutions.

In addition to financial assets available to meet its general expenditures, StarVista operates annually with a balanced budget approved by the Board of Directors, and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$3,279,811
Accounts receivable	<u>2,240,375</u>
Total financial assets at year-end	5,520,186
Less: donor restricted funds	<u>(207,390)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$5,312,796</u>

### 4. Investments

Investments at June 30, 2020 consist of other investments in the amount of \$1,000.



# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 5. Property and Equipment

Property and equipment at June 30, 2020 consist of the following:

Land	\$ 640,535
Building	674,378
Leasehold improvements	639,225
Furniture and equipment	<u>344,233</u>
	2,298,371
Less: accumulated depreciation and amortization	<u>(845,712)</u>
	<u>\$1,452,659</u>

Depreciation and amortization expense for the year ended June 30, 2020 was \$89,346.

### 6. Accrued Liabilities

Accrued liabilities at June 30, 2020 consist of the following:

Accrued vacation	\$ 733,579
Accrued salaries and payroll taxes	313,493
Other accrued liabilities	<u>554,715</u>
	<u>\$1,601,787</u>

### 7. 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 0.00% (“the Index Rate”) or the Floor Rate of 5.00%, due July 2022. 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, 2020 there was no outstanding balance.

StarVista has a second revolving line of credit with a bank, in the amount of \$500,000, at an interest rate equal to the greater of a floating rate equal to the index plus 0.00% (“the Index Rate”) or the Floor Rate of 5.00%, due July 2021. 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, 2020, there was no outstanding balance.

### 8. 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, 2020, the outstanding balance was \$138,000.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 9. Paycheck Protection Program Loan

In May 2020, StarVista received loan proceeds in the amount of \$2,490,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after a period of up to twenty-four weeks (“the covered period”) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its full-time equivalency levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

Any unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral period for loan payments of either (1) the date that SBA remits the borrower’s loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period. There is no certainty that the loan will qualify for forgiveness, in whole or in part. However, StarVista intends to use the proceeds for purposes consistent with the PPP guidelines.

### 10. 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. StarVista determines annually if it will make discretionary contributions to the plans. For the year ended June 30, 2020, StarVista did not make any discretionary contributions.

### 11. 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 ending June 30,</u>	
2021	\$ 960,642
2022	957,549
2023	951,691
2024	944,085
2025	<u>1,034,553</u>
	<u>\$4,848,520</u>

Rent expense under operating leases for the year ended June 30, 2020 was \$991,515.

continued

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 11. Commitments and Contingencies, continued

#### **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.

#### **COVID-19 Impact**

On March 11, 2020, the COVID-19 virus was declared a global pandemic by the World Health Organization. In San Mateo County, a legal order directing residents to shelter in place was mandated on March 17 for a period of three weeks. Many businesses had to close as a result of the mandate, with the exception of "essential businesses" that provide food, shelter, and social services, to name a few. Deemed an "essential business," StarVista took significant steps to ensure the safety of its employees working in all of its facilities – this included purchasing PPE supplies, sanitation of all StarVista facilities, and a weekly Zoom meeting with the CEO and the Executive Team to provide information and updates regarding StarVista's operations, as well as provide guidance and confidence about any concerns or uncertainties brought by COVID-19. The adept decision-making from the Board, the CEO, and the Executive Team resulted in StarVista remaining fully operational, with very little or no disruption to its operations, throughout FY19-20 and present.

From a financial standpoint, StarVista also took substantial steps to remain fully functional and fiscally responsible. One of the steps taken was to apply for grants for the PPE supplies, additional requests from grantors for funding, and collaborating with the County of San Mateo to provide services without disruption of payments. Another step taken was to apply for a forgiveness loan provided by the Federal government's stimulus package. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), was signed into law on March 27, 2020. It established the Paycheck Protection Program ("PPP"), where certain small businesses and nonprofits are eligible to apply for a loan to fund their day-to-day operations. The loan may be forgiven if the funds are used for payroll and other qualified expenses. With guidance from the Board, StarVista successfully applied for the PPP loan from Beneficial State Bank, which loaned the organization \$2,490,000.00. StarVista was able to utilize some of the funds for payroll, rent, and other qualified expenses. Although there is no guarantee that the funds withdrawn will qualify for forgiveness, in whole or in part, StarVista is confident that the entire loan will be paid without difficulty.

# STARVISTA

## NOTES TO FINANCIAL STATEMENTS

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### 12. Net Assets With Donor Restrictions

Net assets with donor restriction at June 30, 2020, consist of the following:

Daybreak loan – purpose restriction	<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 8). 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, 2020, there were no net assets released from restrictions.