

STAR CENTER FOUNDATION

d/b/a

STAR INSTITUTE FOR SENSORY

PROCESSING DISORDER

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

AS OF AND FOR THE YEAR ENDED

DECEMBER 31, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

STAR Center Foundation, d/b/a STAR Institute for Sensory Processing Disorder

We have audited the accompanying financial statements of STAR Center Foundation, d/b/a STAR Institute for Sensory Processing Disorder (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STAR Center Foundation, d/b/a STAR Institute for Sensory Processing Disorder as of December 31, 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.

(Date)

STAR Center Foundation  
d/b/a STAR Institute for Sensory Processing Disorder  
Notes to Financial Statements  
December 31, 2018

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

STAR Center Foundation, d/b/a STAR Institute for Sensory Processing Disorder (“STAR” or the “Organization”) is a world leader in treatment, research, education, and advocacy for Sensory Processing Disorder (“SPD”), a neurological condition that disrupts the daily lives of many children and adults. Based in Denver, Colorado, STAR strives to improve the lives of children with SPD and their families by conducting research, educating caregivers, pediatric professionals, and educators, and empowering scientists throughout the world to study the diagnosis and treatment of SPD. Effective January 1, 2016, Sensory Processing Disorder Foundation, a related entity, was merged into STAR, with STAR as the surviving entity.

Basis of Presentation

STAR reports its activities and financial position according to classes of net assets. Unrestricted net assets are available for use at the discretion of SPD. Restricted net assets are subject to donor imposed restrictions. When donor imposed restrictions end or are otherwise satisfied, the assets are reclassified to unrestricted net assets and recorded in the statement of activities as assets released from restriction. STAR has received no restricted assets, and accordingly, no restricted net assets as of December 31, 2018.

Cash

STAR maintains cash in accounts which may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Although not subject to donor restrictions, the board of directors has appropriated certain cash balances for designated purposes, and does not generally consider these amounts available for operations. The appropriations could be released at the discretion of the board.

Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements with a value greater than \$1,000 are recorded at cost or, if donated, at the fair value at the date of receipt. Depreciation and amortization are computed using the straight-line method based on estimated useful lives ranging from three to seven years.

Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of an asset or asset group may not be recoverable. The amount of potential impairment loss is calculated by the excess of fair value over the assets carrying value. Fair value is generally determined using a discounted cash flow analysis. No impairments were recognized for the year ended December 31, 2018.

STAR Center Foundation  
d/b/a STAR Institute for Sensory Processing Disorder  
Notes to Financial Statements  
December 31, 2018

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Deferred Revenue

Deposits and prepayments for the mentorship program and educational seminars are deferred and recognized as revenue when earned. As of December 31, 2018, STAR had deferred revenue comprised of \$19,520 related to the mentorship program, \$32,637 related to workshops and speaking engagements, and \$48,135 related to treatment.

Contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted contributions are recognized when delivered or unconditionally promised to STAR. Contributions specifically restricted by the donor are recorded as restricted assets until the restriction is satisfied.

Numerous individuals volunteer their time and effort in support of STAR and its mission. The amount of contributed time and effort received by STAR does not meet the reporting criteria specified by accounting principles generally accepted in the United States of America, and has therefore not been recorded in these financial statements.

Income Taxes

STAR is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization under Section 509(a)(2). Accordingly, no provision is made for federal, state, or local income taxes.

STAR has adopted accounting guidance related to uncertainty in income taxes. After evaluating the tax positions taken, management of the Organization has determined no amounts are required to be recognized related to uncertain tax positions as of December 31, 2018.

With few exceptions, income tax returns filed more than three years ago are no longer subject to examination by federal, state, or local taxing authorities.

Advertising

STAR expenses advertising costs as incurred.

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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STAR Center Foundation  
d/b/a STAR Institute for Sensory Processing Disorder  
Notes to Financial Statements  
December 31, 2018

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Fair Value

STAR's financial instruments are cash and accounts payable. The recorded values of these instruments approximate their fair values based on their short-term nature.

Functional Expenses

Expenses incurred directly for a function are charged to such function. Salaries and related fringe benefits are allocated to all functions based on estimated time expended. Allocations of certain overhead costs are also allocated to functions based on estimated use of resources.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through the date of the auditors' report, which is also the date the financial statements were available to be issued. Management has identified no subsequent events that require modification of the financial statements or related disclosures.

**NOTE 2      PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS**

Property, equipment, and leasehold improvements at December 31, 2018 are as follows:

Playground research site	\$ 369,929
Computers and equipment	103,550
Furniture and fixtures	46,661
eLearning	30,438
Leasehold improvements	27,736
	<hr/> 578,314
Less accumulated depreciation and amortization	(477,959)
	<hr/> <hr/> \$ 100,355

Depreciation and amortization expense for the year ending December 31, 2018 was \$63,351.

**NOTE 3      NOTES PAYABLE**

STAR has a note payable to a financial institution, the proceeds of which were used to purchase computers and related equipment. This note requires monthly principal and interest payments of \$858, bears interest at 6% per annum, and matures during 2018.

STAR Center Foundation  
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Notes to Financial Statements  
December 31, 2018

During 2017, STAR entered into a \$20,000 financing agreement with a financial institution, the proceeds of which were used to purchase computer servers. This note requires monthly principal and interest payments of \$508, bears interest at 10.099% per annum, and matures during 2021.

Future combined minimum payments required under these notes are as follows:

Year ending December 31,	
2019	\$ 5,138
2020	5,681
2021	1,004
	<u>\$ 11,823</u>

**NOTE 4      OPERATING LEASES**

During January 2011, STAR entered into an operating lease for office space extending through October 2018. During 2015 and 2016, additional office space was added, and the lease for the original space was extended through 2020.

STAR's total rental expense payments for the year ended December 31, 2018 were \$248,073.

Future combined minimum payments for rent are as follows:

Year ending December 31,	
2019	\$ 285,248
2020	243,287
	<u>\$ 528,535</u>

**NOTE 5      RETIREMENT PLAN**

STAR maintains a SIMPLE IRA plan for benefit of eligible employees (the "Plan"), as defined by the Plan documents. STAR made employer contributions of \$23,164 to the Plan during 2018.

STAR Institute for Sensory Processing Disorder  
Statement of Financial Position  
December 31, 2018

ASSETS

Current assets	
Cash	\$ 210,455
Board appropriated cash	136,854
Accounts receivable	43,724
Educational merchandise	6,583
Other current assets	2,642
Total current assets	<u>400,258</u>
Property, equipment, and leasehold improvements, net	100,355
Deposit	24,365
Total other assets	<u>124,720</u>
	<u><u>\$ 524,978</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 112,843
Accrued liabilities	53,373
Current portion of notes payable	5,138
Deferred revenue	100,292
Total current liabilities	<u>271,646</u>
Long-term liabilities	
Deferred rent expense	69,909
Notes payable, net of current portion	6,685
Total long-term liabilities	<u>76,594</u>
Total liabilities	<u>348,240</u>
Net Assets	
Unrestricted	176,738
Restricted	-
Total net assets	<u>176,738</u>
	<u><u>\$ 524,978</u></u>

The accompanying notes are an integral part of these financial statements.  
See independent auditors' report.



STAR Institute for Sensory Processing Disorder  
Statement of Activities  
For the Year Ended December 31, 2018

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Support and revenues			
Treatment	\$ 1,671,768	\$ -	\$ 1,671,768
Education income	855,030	-	855,030
Donations	237,910	-	237,910
Development and events	177,978	-	177,978
Grants and foundations	12,500	-	12,500
Product sales, net	7,812	-	7,812
Other	1,097	-	1,097
	<u>2,964,095</u>	<u>-</u>	<u>2,964,095</u>
	<u>2,964,095</u>	<u>-</u>	<u>2,964,095</u>
Expenses			
Program services	2,606,767	-	2,606,767
General and administrative	82,673	-	82,673
Fundraising	341,559	-	341,559
Total expenses	<u>3,030,999</u>	<u>-</u>	<u>3,030,999</u>
Change in net assets	(66,904)	-	(66,904)
Net assets, beginning of year	<u>243,642</u>	<u>-</u>	<u>243,642</u>
Net assets, end of year	<u>\$ 176,738</u>	<u>\$ -</u>	<u>\$ 176,738</u>

The accompanying notes are an integral part of these financial statements.  
See independent auditors' report.

STAR Institute for Sensory Processing Disorder  
Statement of Cash Flows  
For the Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ (66,904)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation and amortization	63,351
Changes in:	
Accounts receivable	(16,575)
Other assets	(2,642)
Educational merchandise	4,527
Accounts payable	46,381
Accrued liabilities	(16,212)
Deferred revenue	84,546
Deferred rent expense	(12,134)
Cash flows from operating activities	<u>84,338</u>
Cash flows from investing activities	
Change in board appropriated cash	(38,295)
Capital expenditures	-
Cash flows from investing activities	<u>(38,295)</u>
Cash flows from financing activities	
Repayment of notes payable	(6,378)
Cash flows from financing activities	<u>(6,378)</u>
Net change in cash	<u>39,665</u>
Cash, at beginning of period	170,790
Cash, at end of period	<u><u>\$ 210,455</u></u>
Supplemental information:	
Interest paid during the year	<u><u>\$ 4,476</u></u>

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See independent auditors' report.

STAR Institute for Sensory Processing Disorder  
Statement of Functional Expenses  
For the Year Ended December 31, 2018

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes and benefits expense	\$ 1,655,751	\$ 52,731	\$ 49,216	\$ 1,757,697
Education program expense	133,006	-	-	133,006
Rent expense	245,151	7,807	7,287	260,245
Consultants and professional fees	293,582	9,350	8,726	311,658
Office expense	9,340	297	278	9,915
Development and events expense	-	-	269,455	269,455
Bank and credit card fees	76,231	2,428	2,266	80,925
Depreciation and amortization expense	59,677	1,901	1,774	63,351
Telephone	6,839	218	203	7,260
Repairs and maintenance	12,455	-	-	12,455
Insurance	15,683	-	-	15,683
Research	672	-	-	672
Dues, licenses, permits	-	2,408	-	2,408
Interest expense	1,471	-	-	1,471
Board meetings	-	3,010	-	3,010
Treatment	17,679	-	-	17,679
General and administrative	79,231	2,523	2,355	84,109
Total	<u>\$ 2,606,767</u>	<u>\$ 82,673</u>	<u>\$ 341,559</u>	<u>\$ 3,030,999</u>

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See independent auditors' report.