

STAR CENTER FOUNDATION

dba

STAR INSTITUTE FOR SENSORY PROCESSING DISORDER

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED

DECEMBER 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
STAR Center Foundation dba STAR Institute for Sensory Processing Disorder
Centennial, Colorado

Opinion

We have audited the financial statements of STAR Center Foundation dba STAR Institute for Sensory Processing Disorder, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of STAR Center Foundation dba STAR Institute for Sensory Processing Disorder as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of STAR Center Foundation dba STAR Institute for Sensory Processing Disorder and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about STAR Center Foundation dba STAR Institute for Sensory Processing Disorder's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 STAR Center Foundation dba STAR Institute for Sensory Processing Disorder's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about STAR Center Foundation dba STAR Institute for Sensory Processing Disorder's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Watson Coon Ryan, LLC

July 8, 2024
Centennial, Colorado

STAR Center Foundation
dba STAR Institute For Sensory Processing Disorder
Statements of Financial Position
December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 648,589	\$ 513,971
Accounts receivable, net of allowance	190,444	32,533
Employee retention credit receivable	-	287,486
Educational merchandise inventory	6,044	6,044
Building, improvements and equipment, net	2,944,361	3,008,048
Right of use asset	<u>63,884</u>	<u>-</u>
Total assets	<u>\$ 3,853,322</u>	<u>\$ 3,848,082</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 124,529	\$ 93,870
Accrued payroll and payroll taxes	113,073	99,291
Deferred revenue	177,683	111,116
Notes payable to a bank	2,170,772	2,251,267
Note payable to trust	471,697	461,408
Lease liability	<u>61,384</u>	<u>-</u>
Total liabilities	3,119,138	3,016,952
Net assets		
Without donor restrictions	592,536	692,885
With donor restrictions	<u>141,648</u>	<u>138,245</u>
Total net assets	<u>734,184</u>	<u>831,130</u>
	<u>\$ 3,853,322</u>	<u>\$ 3,848,082</u>

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

STAR Center Foundation
dba STAR Institute For Sensory Processing Disorder
Statements of Activities
For the years ended December 31, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenue and support						
Program service revenues						
Treatments	\$ 1,684,250	\$ -	\$ 1,684,250	\$ 1,234,877	\$ -	\$ 1,234,877
Education	560,419	-	560,419	616,835	-	616,835
Support						
Contributions	153,461	95,930	249,391	220,406	100,000	320,406
Federal stimulus grant	-	-	-	563,274	-	563,274
Other income	16,365	-	16,365	13,396	-	13,396
Net assets released from restrictions	92,527	(92,527)	-	87,266	(87,266)	-
Total revenue and support	2,507,022	3,403	2,510,425	2,736,054	12,734	2,748,788
Expenses:						
Program services	2,098,622	-	2,098,622	1,813,007	-	1,813,007
Management and general	440,380	-	440,380	332,033	-	332,033
Fundraising	68,369	-	68,369	97,483	-	97,483
	2,607,371	-	2,607,371	2,242,523	-	2,242,523
Change in net assets	(100,349)	3,403	(96,946)	493,531	12,734	506,265
Net assets, beginning of year	692,885	138,245	831,130	199,354	125,511	324,865
Net assets, end of year	\$ 592,536	\$ 141,648	\$ 734,184	\$ 692,885	\$ 138,245	\$ 831,130

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

STAR Center Foundation
dba STAR Institute For Sensory Processing Disorder
Statements of Functional Expenses
For the years ended December 31, 2022 and 2021

	<u>2022</u>				<u>2021</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,173,656	\$ 202,105	\$ 45,436	\$ 1,421,197	\$ 1,031,886	\$ 136,210	\$ 59,024	\$ 1,227,120
Payroll taxes	88,707	15,165	3,341	107,213	80,095	10,573	4,581	95,249
Pension and other benefits	77,764	13,315	3,011	94,090	58,141	7,675	3,326	69,142
Bad debt expense	-	45,704	-	45,704	-	28,306	-	28,306
Conferences and meetings	119,047	-	-	119,047	36,223	-	-	36,223
Depreciation and amortization	58,960	3,661	1,066	63,687	48,913	6,457	2,798	58,168
Information technology	26,827	4,591	1,039	32,457	69,324	5,510	2,388	77,222
Insurance	-	20,487	-	20,487	-	14,589	-	14,589
Interest	135,575	9,957	1,990	147,522	105,671	13,949	6,044	125,664
Marketing and promotion	11,991	15,598	3,262	30,851	7,372	31,408	5,643	44,423
Merchant processing fees	63,925	-	533	64,458	70,786	-	6,267	77,053
Occupancy	100,946	5,117	1,491	107,554	94,741	12,506	5,419	112,666
Office expenses	44,348	10,041	3,789	58,178	16,832	3,035	963	20,830
Other expenses	32,531	18,763	3,075	54,369	31,185	6,764	955	38,904
Professional service fees	136,857	72,946	-	209,803	143,654	54,777	-	198,431
Travel and meals	27,488	2,930	336	30,754	18,184	274	75	18,533
Total Expenses	\$ 2,098,622	\$ 440,380	\$ 68,369	\$ 2,607,371	\$ 1,813,007	\$ 332,033	\$ 97,483	\$ 2,242,523

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

STAR Center Foundation
dba STAR Institute For Sensory Processing Disorder
Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (96,946)	\$ 506,265
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	63,687	58,167
Amortization of debt discount	30,289	29,419
Allowance for doubtful accounts	-	28,306
Lease expense related to amortization of right of use asset	2,778	-
Change in operating assets and liabilities:		
Accounts receivable	129,575	(335,466)
Accounts payable	30,659	(21,557)
Accrued payroll	13,782	(14,142)
Deferred revenue	66,567	33,322
Lease liability	<u>(5,278)</u>	<u>-</u>
Net cash from operating activities	235,113	284,314
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(12,513)</u>
Cash flows from investing activities	-	(12,513)
Cash flows from financing activities:		
Principal paid on note payable to trust	(20,000)	(45,000)
Principal paid on note payable to a bank	<u>(80,495)</u>	<u>(77,804)</u>
Cash flows from financing activities	<u>(100,495)</u>	<u>(122,804)</u>
Net change in cash	134,618	148,997
Cash, beginning of period	<u>513,971</u>	<u>364,974</u>
Cash, end of period	<u><u>\$ 648,589</u></u>	<u><u>\$ 513,971</u></u>
Supplemental cash flow disclosure:		
Interest paid	\$ 117,233	\$ 95,994
Purchase of property with debt	-	39,413

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

STAR Center Foundation dba STAR Institute for Sensory Processing Disorder
Notes to the Financial Statements
December 31, 2022 and 2021

1. Principal Activity and Summary of Significant Accounting Policies

Organization

STAR Center Foundation dba STAR Institute for Sensory Processing Disorder (“STAR”) is a Colorado Non-profit corporation based in Denver, Colorado. STAR’s vision is a world in which all people with Sensory Processing Disorder, a neurological condition that disrupts the daily lives of many children and adults, receive support and services that result in having a meaningful and fulfilled life. This is accomplished by STAR’s mission to provide: comprehensive assessment and effective intervention for Sensory Processing Disorder, rigorous research with collaborating university-based research partners, education for caregivers, pediatric professionals, and educators; and advocacy for official recognition of Sensory Processing Disorder worldwide. STAR is a world leader in treatment, research, education, and advocacy for Sensory Processing Disorder.

Cash and Cash Equivalents

STAR considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents

Receivables and Credit Policies

Accounts receivable consist primarily of amounts due for patient therapy and educational programs. STAR determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible. Allowance for bad debt at December 31, 2022 and 2021 was \$28,306. At December 31, 2020, the accounts receivable balance was \$12,859 and deferred revenue balance was \$77,794.

Education Merchandise Inventory

STAR inventory comprises program-related merchandise held for sale and is stated at cost determined by the retail method.

Building, improvements and equipment, net

STAR records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 46 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

STAR Center Foundation dba STAR Institute for Sensory Processing Disorder
Notes to the Financial Statements
December 31, 2022 and 2021

Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

STAR reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2022 and 2021.

Leases – Recently Adopted Accounting Guidance

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance in Accounting Standards Codification (ASC) 842, Leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent amount the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

STAR adopted the standard effective January 1, 2022 and recognize and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

STAR elected the available practical expedients to account for our existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. STAR also elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

As a result of the adoption of the new lease accounting guidance, STAR recognized on January 1, 2022, noncash activities involving right-of-use assets as a lessee obtained in exchange for lease liabilities of \$66,662. The recording of the additional lease assets had no impact on January 1, 2022 net assets.

The standard had a material impact on STAR's statement of financial position, but did not have a material impact on the statement of activities, statement of functional expenses or statement of cash flows for the year ended December 31, 2022. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

STAR Center Foundation dba STAR Institute for Sensory Processing Disorder
Notes to the Financial Statements
December 31, 2022 and 2021

STAR determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on STAR's statement of financial position.

ROU assets represent STAR's right to use an underlying asset for the lease term and lease liabilities represent STAR's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As STAR's leases generally do not provide an implicit rate, STAR uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. STAR's lease terms may include options to extend or terminate the lease when it is reasonably certain that STAR will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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:

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

Net Assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of STAR or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. STAR reports contributions restricted by donors as increases in net assets with donor restrictions 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition

STAR recognizes revenue from providing patient therapy and education products and services when the performance obligations of transferring the products and providing the services are met. Merchandise sales are recognized at the time of purchase. Membership dues are considered substantially a contribution and are recognized when received. Payment is generally required in advance of patient therapy programs and education services and amounts received in advance are deferred to the applicable period. Special event revenue is recognized when the event occurs. All goods and services are transferred at a point in time.

STAR Center Foundation dba STAR Institute for Sensory Processing Disorder
Notes to the Financial Statements
December 31, 2022 and 2021

STAR recognizes contributions when cash, securities or other assets; an unconditional promise to give; or 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 substantially met.

Donated Services and Nonfinancial Contributions

Volunteers contribute significant amounts of time to STAR’s program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. generally accepted accounting principles.

Contributed goods and property are recorded at fair value at the date of donation. Donated professional services are recorded at the fair value of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2022 and 2021.

Marketing and Promotion

Marketing and promotion costs are expensed as incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

STAR is organized as a Colorado nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC 501(a) as an organization described in IRC Section 501(c)(3). STAR is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, STAR is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. STAR has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

STAR Center Foundation dba STAR Institute for Sensory Processing Disorder
Notes to the Financial Statements
December 31, 2022 and 2021

Estimates

The preparation of STAR’s financial statements in conformity with generally accepted accounting principles requires STAR’s management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Accordingly, actual results could differ from those estimates. Significant estimates in these financial statements include the allocation of expenses on a functional basis.

Financial Instruments and Credit Risk

STAR manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, STAR has not experienced losses in any of these accounts. Credit risk associated with receivables is considered to be limited due to high historical collection rates.

2. Subsequent Events and Continuing Operations

Subsequent events were evaluated by management through the date of the auditor’s report, which is the date the financial statements were available to be issued.

The global COVID-19 pandemic that started during 2020 significantly impacted STAR’s ability to conduct in-person treatment and education services. These services represented the majority of STAR’s historical program service revenues. The financial performance in 2022 and 2023 reflected the difficulties STAR encountered, with 2023 being particularly challenging. During 2023 and continuing into 2024, STAR implemented several financial measures to address the challenges by reducing expenses, including staff compensation, expanding service offerings and offering services online.

3. Available Resources and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 648,589	\$ 513,971
Accounts receivable, net	190,444	32,533
Less net assets with donor restrictions	<u>(141,648)</u>	<u>(138,245)</u>
Available to meet cash needs for general expenditures within one year	<u>\$ 697,385</u>	<u>\$ 408,259</u>

STAR regularly monitors liquidity and operates under a budget to meet its operating needs and other contractual commitments. STAR management has a financial goal to maintain adequate cash on hand to meet a minimum of sixty days of operating expenses.

STAR Center Foundation dba STAR Institute for Sensory Processing Disorder
Notes to the Financial Statements
December 31, 2022 and 2021

4. Building, Improvements and Equipment, net

The following summarize STAR's property and equipment at December 31,:

	<u>2022</u>	<u>2021</u>
Office building and improvements	\$ 3,036,629	\$ 3,036,629
Playground research site	287,699	287,699
Furniture and equipment	223,226	223,226
Electronic learning platform	30,438	30,438
Accumulated depreciation	(633,631)	(569,944)
	<u>\$ 2,944,361</u>	<u>\$ 3,008,048</u>

5. Leases as a lessee

STAR leases software through an agreement which expires in April 2027. The lease agreement required six monthly lease payments of \$50 through March 2022 and sixty monthly payments of \$1,366 through April 2027. The lease agreement does not contain any termination or renewal options.

The following summarizes the line items in the balance which include amounts for operating leases as of December 31, 2022.

Operating lease right-of-use asset as lessee	\$ 63,884
Operating lease liability as lessee	61,384

The components of operating lease expenses that are included in the statements of activities and functional expenses for the year ended December 31, 2022 were as follows:

Amortization of right-of-use assets	\$ 2,778
Interest on lease liabilities	7,166

The maturities of operating lease liabilities as of December 31, 2022 were as follows:

2023	\$ 16,392
2024	16,392
2025	16,392
2026	16,392
2027	16,392
Less interest on lease liabilities at 10.89%	(15,344)
Lease liability at December 31, 2022	<u>\$ 63,884</u>

STAR Center Foundation dba STAR Institute for Sensory Processing Disorder
Notes to the Financial Statements
December 31, 2022 and 2021

6. Leases as a lessor

In conjunction with the purchase of the office building, STAR was assigned a lease as the lessor to allow for the operation of cellular equipment on the premises. The lease calls for annual rent of \$4,200 to STAR and matures in September 2023. The lease automatically extends for four additional five year terms, however, the lessee has the right to terminate the agreement with prior written notice on each anniversary date. STAR received the entire \$21,000 during the year ended December 31, 2020. STAR recognized \$4,200 as revenue during the years ended December 31, 2022 and 2021. STAR recognized \$10,500 and \$14,700, respectively, as deferred revenue as of December 31, 2022 and 2021.

7. Notes Payable to a Bank

Notes payable to STAR's bank consist of the following at December 31:

	2022	2021
Note payable incurred in 2019 to purchase an office building, in the original amount of \$2,300,000, secured by the office building, calling for 119 monthly payments of principal and interest of \$12,345 with the remaining balance due at maturity, bearing interest at 4.1%, and maturing in October 2029.	\$2,122,645	\$2,181,219
Note payable incurred in 2019 to improve the office building, in the original amount of \$110,000, secured by the general assets of STAR, calling for monthly payments of principal and interest of \$2,138, bearing interest at 6.14%, and maturing in December 2024.	<u>48,127</u>	<u>70,048</u>
:	<u>\$2,170,772</u>	<u>\$2,251,267</u>

Future maturities of the notes payable are as follows:

2023	\$	85,637
2024		89,408
2025		67,586
2026		70,414
2027		73,361
Thereafter		<u>1,784,366</u>
		<u>\$ 2,170,772</u>

STAR Center Foundation dba STAR Institute for Sensory Processing Disorder
Notes to the Financial Statements
December 31, 2022 and 2021

8. Note Payable to a Trust

On October 23, 2019, STAR received \$600,000 in exchange for an unsecured note payable to a Trust established by a Board Member. The note does not bear interest and matures on October 31, 2024. STAR recorded a contribution with donor restrictions for the difference between the stated zero interest rate and STAR's market interest rate of 6% in the amount of \$155,761. At the end of each year, STAR amortizes the discount on the note payable by recording interest expense and increasing the note payable using the effective interest method. Additionally, STAR records a corresponding reclassification between net assets with donor restrictions and net assets without donor restrictions for an amount equal to the interest expense recognized.

At December 31, 2022 and 2021, the carrying amount of the note is \$471,697 and \$461,408, respectively. During the years ended December 31, 2022 and 2021 STAR recognized \$3,289 and \$29,419 of interest expense related to the note, respectively.

9. Net Assets With Donor Restrictions

Following is a summary of net assets with donor restrictions as of December 31:

	<u>2022</u>	<u>2021</u>
Discount on note payable to trust	\$ 63,302	\$ 93,591
Purpose restrictions	78,346	44,654
Total	<u>\$ 141,648</u>	<u>\$ 138,245</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Purpose restrictions	\$ 62,238	\$ 57,486
Discount on note payable to trust	30,289	29,420
Net assets released through satisfaction of restrictions	<u>\$ 92,527</u>	<u>\$ 87,266</u>

10. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes, pension and other benefits, office expenses, and information technology which are allocated on the basis of estimates of time and effort. Occupancy, interest, and depreciation and amortization are allocated on the basis of square footage.

STAR Center Foundation dba STAR Institute for Sensory Processing Disorder
Notes to the Financial Statements
December 31, 2022 and 2021

11. Employee Benefits

STAR maintains a SIMPLE IRA Plan for benefit of eligible employees, as defined by the Plan documents. STAR made employer contributions of \$19,736 and \$19,336 to the Plan during the years ended December 31, 2022 and 2021, respectively.

12. Related Party Transactions

As discussed in Note 6, STAR received a loan from a Trust established by the family of a Board Member.

Approximately \$50,000 and \$60,000 of STAR's support was received directly or indirectly from Board members during the year ended December 31, 2022 and 2021, respectively.

13. Federal stimulus grant

Under the provisions of the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020, and the subsequent extension of the CARES Act, STAR was eligible for a refundable employee retention credit subject to certain criteria. STAR recognized a \$287,486 employee retention credit during the fiscal year ended December 31, 2021, which was received in full during the year ended December 31, 2022.