

STAR-C CORPORATION
(a nonprofit organization)

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Star-C Corporation
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of Star-C Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Star-C Corporation as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Star-C Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Star-C Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Star-C Corporation'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 the Star-C Corporation'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.

Report on Summarized Comparative Information

We have previously audited Star-C Corporation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CERTIFIED PUBLIC ACCOUNTANTS

November 9, 2023
Duluth, Georgia

STAR-C CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------------------------------------------------------------------|---------------------|--------------------|
| ASSETS: | | |
| Cash and cash equivalents | \$ 1,396,290 | \$ 529,607 |
| Accounts receivable, net of allowance for doubtful accounts of \$0 at June 30, 2023 and 2022 | 25,300 | 4,517 |
| Right-of-use asset, operating | 66,308 | 83,428 |
| TOTAL ASSETS | \$ 1,487,898 | \$ 617,552 |

LIABILITIES AND NET ASSETS

| | | |
|-----------------------------------------|---------------------|-------------------|
| LIABILITIES: | | |
| Accounts payable | \$ 34,968 | \$ 27,399 |
| Lease liabilities, operating | 68,444 | 84,838 |
| Deferred revenue | - | 2,112 |
| Total Liabilities | 103,412 | 114,349 |
| NET ASSETS: | | |
| Without donor restrictions | 1,384,486 | 503,203 |
| With donor restrictions | - | - |
| | 1,384,486 | 503,203 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,487,898 | \$ 617,552 |

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

STAR-C CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Totals</u> | |
|------------------------------------------------|---------------------------------------|------------------------------------|---------------|-------------|
| | | | <u>2023</u> | <u>2022</u> |
| <u>SUPPORT AND REVENUE</u> | | | | |
| Support: | | | | |
| Contributions | \$ 1,356,204 | \$ - | \$ 1,356,204 | \$ 180,015 |
| Grants | 10,026 | - | 10,026 | 5,255,112 |
| Donated services | - | - | - | 5,361 |
| | 1,366,230 | - | 1,366,230 | 5,440,488 |
| Revenue: | | | | |
| Program services | 179,003 | - | 179,003 | 119,000 |
| | 179,003 | - | 179,003 | 119,000 |
| Net assets released from restrictions | - | - | - | - |
| Total support and revenue | 1,545,233 | - | 1,545,233 | 5,559,488 |
| <u>EXPENSES</u> | | | | |
| Program services | 458,877 | - | 458,877 | 5,418,346 |
| Management and general | 205,073 | - | 205,073 | 170,258 |
| Fundraising | - | - | - | - |
| | 663,950 | - | 663,950 | 5,588,604 |
| Change in net assets | 881,283 | - | 881,283 | (29,116) |
| Net assets, beginning of year | 504,613 | - | 504,613 | 533,729 |
| Adjustment for adoption of accounting standard | (1,410) | - | (1,410) | - |
| Net assets, beginning of year, as restated | 503,203 | - | 503,203 | 533,729 |
| Net assets, end of year | \$ 1,384,486 | \$ - | \$ 1,384,486 | \$ 504,613 |

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

STAR-C CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|------------------------------------------------------------------------------------------------|---------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 881,283 | \$ (29,116) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Amortization of right-of-use asset | 17,120 | - |
| Increase in accounts receivable | (20,783) | (1,600) |
| Decrease in prepaid expenses | - | 14,400 |
| Increase in accounts payable | 7,569 | 18,706 |
| Decrease in deferred revenue | <u>(2,112)</u> | <u>(221,391)</u> |
| Net cash provided by (used by) operating activities | <u>883,077</u> | <u>(219,001)</u> |
| Cash flows from financing activities: | | |
| Payment of lease liabilities | <u>(16,394)</u> | <u>-</u> |
| Net cash used by used by financing activities | <u>(16,394)</u> | <u>-</u> |
| Net change in cash | 866,683 | (219,001) |
| Cash, beginning of period | <u>529,607</u> | <u>748,608</u> |
| Cash, end of period | <u>\$ 1,396,290</u> | <u>\$ 529,607</u> |

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

STAR-C CORPORATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Totals</u> | |
|--------------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|---------------------|
| | | | | <u>2023</u> | <u>2022</u> |
| Salaries & benefits: | | | | | |
| Salaries | \$ 261,284 | \$ 76,484 | \$ - | \$ 337,768 | \$ 315,776 |
| Payroll taxes | <u>11,263</u> | <u>3,282</u> | <u>-</u> | <u>14,545</u> | <u>13,037</u> |
| Total salaries and benefits | <u>272,547</u> | <u>79,766</u> | <u>-</u> | <u>352,313</u> | <u>328,813</u> |
| Other expenses: | | | | | |
| Contract labor | 79,280 | 11,392 | - | 90,672 | 261,354 |
| Eviction relief | - | | - | - | 4,790,973 |
| Professional fees | - | 19,350 | - | 19,350 | 18,000 |
| Lease expense | - | 24,210 | - | 24,210 | 22,820 |
| Computer supplies | 19,814 | - | - | 19,814 | 21,740 |
| Management fees | - | 53,028 | - | 53,028 | 65,538 |
| Insurance | 39,699 | 4,411 | - | 44,110 | 32,363 |
| Supplies | 25,020 | 4,889 | - | 29,909 | 19,847 |
| After-school programs | 1,281 | - | - | 1,281 | 554 |
| Meetings | 6,889 | 7,698 | - | 14,587 | 10,879 |
| Miscellaneous | <u>14,347</u> | <u>329</u> | <u>-</u> | <u>14,676</u> | <u>15,723</u> |
| Total other expenses | <u>186,330</u> | <u>125,307</u> | <u>-</u> | <u>311,637</u> | <u>5,259,791</u> |
| Total expenses | <u>\$ 458,877</u> | <u>\$ 205,073</u> | <u>\$ -</u> | <u>\$ 663,950</u> | <u>\$ 5,588,604</u> |

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

STAR-C CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Star-C Corporation (the Organization) was formed in June 2014 to provide educational and wellness programs to residents of low-income and blighted housing projects.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Support and Revenue

The Organization's primary sources of funding are contributions from private parties and businesses, service fees received from participating apartment communities, and grants from foundations and other sources. For the years ended June 30, 2023 and 2022, the apartment communities contributed approximately 30% of the costs of the program.

Contributions

All contributions are recorded as net assets without donor restrictions, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

-CONTINUED-

STAR- C CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Trade Accounts Receivable

Trade accounts receivable is recorded net of the allowance for doubtful accounts. The allowance is estimated from historical performance, projections of trends and analysis of specific troubled accounts.

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines the lease classification as operating or finance at the lease commencement date. For the year ended June 30, 2023, the Organization adopted Auditing Standards Update 2016-02, *Leases*. The Organization elected to use the additional transition method in Auditing Standards Update 2018-11, *Leases*, in which the Organization records the effect of the standard in the year of adoption.

Leases results in the recognition of Right-of-Use (“ROU”) assets and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and the lease liabilities represent the obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since the Organization’s lease does not provide for an implicit rate, to determine the present value of the lease payments, management uses the Organization’s incremental borrowing rate based on the information available at lease commencement. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for the fiscal years ended June 30, 2023 and 2022.

The Organization’s Returns of Organizations Exempt from Income Tax (Form 990) for the years ended June 30, 2020, 2021 and 2022 are subject to examination by the IRS, generally for three years after they are filed.

Cash Flows

For the purposes of the statement of cash flows, cash is defined as cash in banks and investments with an original maturity of three months or less when purchased.

STAR-C CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization plans to maintain an adequate level of unrestricted net assets to support the organization’s day-to-day operations in the event of unforeseen shortfalls. The Organization’s liquid assets consist of the following as of June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------------|--------------------|------------------|
| Cash and cash equivalents | \$1,396,290 | \$529,607 |
| Accounts receivable due within one year | 25,300 | 4,517 |
| Less accounts payable due within one year | (34,698) | (27,399) |
| | <u>\$1,396,892</u> | <u>\$506,725</u> |

The Organization manages its liquidity by analyzing cash needs for general expenditures within one year and determining necessary steps to maintain its liquidity position.

NOTE 3 – GRANTS

For the year ended June 30, 2022, the Organization received funding from the Emergency Rental Assistance Program from Cobb County as provided by the U.S. Treasury. The funds are to be used for rental payments, as well as utilities and other household expenses, by those affected by the COVID-19 pandemic. The amount awarded totaled \$5,245,112. As of June 30, 2022, all of the funds had been expended.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

There are no assets with donor restrictions as of June 30, 2023 and 2022.

NOTE 5 – RELEASE OF ASSET RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

| | <u>2023</u> | <u>2022</u> |
|---------------------------|-------------|--------------------|
| Eviction relief | \$ - | \$5,245,112 |
| Passage of time | - | 10,000 |
| Release of funds by donor | - | 18,471 |
| | <u>\$ -</u> | <u>\$6,840,944</u> |

STAR-C CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 – LEASES

The Organization leases office space under an operating lease. The lease has a term of five years and expires June 30, 2026.

The following summarizes the line items in the balance sheets which include amounts for operating leases as of June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|-------------|-------------|
| Right-of-use assets – operating | \$66,308 | \$83,428 |
| Operating lease liabilities | \$68,444 | \$84,838 |

The incremental borrowing rate used to calculate the present value was 5.75%.

The maturities of lease liabilities as of June 30, 2023 were as follows:

| | |
|-----------------------------|-----------------|
| 2024 | \$24,189 |
| 2025 | 24,914 |
| 2026 | <u>25,662</u> |
| | 74,765 |
| Less present value discount | <u>6,321</u> |
| | <u>\$68,444</u> |

Lease expense for the years ended June 30, 2023 and 2022 was \$24,210 and \$22,820, respectively.

NOTE 7 – CONTRACT LABOR

Contract labor for 2023 and 2022 includes \$0 and \$5,361, respectively, of services donated by various professionals. These services are recorded at their fair market value for the level of service provided.

NOTE 8 – FUNCTIONAL EXPENSE ALLOCATION

Most expenses are directly allocated to the three functions, Program Services, Management and General and Fundraising depending on the purpose of the expense. Salaries and payroll taxes are allocated based on the time spent on each function by personnel. Expenses such as utilities and insurance are allocated to each function based on the amount of space used for each function.

STAR-C CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 – RELATED PARTY TRANSACTIONS

Three of the Organization’s board members are partners in the ownership of two apartment complexes to which the Organization provides services. During the years ended June 30, 2023 and 2022, the apartment complexes paid the Organization \$48,000 each year.

The Organization rents office space from a company owned by three of its board members. Total rent paid during the years ended June 30, 2023 and 2022 was \$24,189 and \$22,800, respectively.

The Organization pays management fees to a company owned by one of its board members. For the years ended June 30, 2023 and 2022, total fees paid were \$53,028 and \$65,538, respectively. As of June 30, 2023 and 2022, amounts owed to the related party were \$4,419 each year.

NOTE 10 – PRIOR YEAR INFORMATION

The statements of activities and functional expenses include certain prior year summarized comparative information in total but not by asset/program. 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 the financial statements for the year ended June 30, 2022, from which the information was derived.

NOTE 11 – NET ASSETS ADJUSTMENT

As described in Note 1, during the year ended June 30, 2023, the Organization adopted ASU 2016-02, *Leases*. The Organization elected to initially apply the new standard as of the adoption date of July 1, 2022. The Organization has recognized a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, at July 1, 2022, net assets decreased by \$1,410.

NOTE 12– SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2023, which is the date the financial statements were available to be issued.