

STARability Foundation, Inc.

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT THEREON

YEARS ENDED JUNE 30, 2023 AND 2022

STARability Foundation, Inc.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
STARability Foundation, Inc.
Naples, Florida

Opinion

We have audited the accompanying financial statements of STARability Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of STARability Foundation, Inc., as of June 30, 2023 and 2022, 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. 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 STARability Foundation, Inc. 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 STARability Foundation, Inc.'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.

INDEPENDENT AUDITOR'S REPORT - continued

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 STARability Foundation, Inc.'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 STARability Foundation, Inc.'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.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
Naples, Florida
January 23, 2024

STARability Foundation, Inc.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,362,492	\$ 2,826,913
Investments	1,823,355	1,595,933
Accounts receivable	2,286	2,579
Prepaid expenses	96,908	51,296
Land acquisition costs	88,078	88,078
Deposits	18,752	11,223
Beneficial interest in assets held by others	115,640	107,005
Operating right-of-use assets	536,826	-
Property and equipment, net	<u>152,664</u>	<u>28,559</u>
Total assets	<u>\$ 6,197,001</u>	<u>\$ 4,711,586</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 42,573	\$ 22,037
Operating lease obligations	536,826	-
Deferred revenue	<u>17,399</u>	<u>12,515</u>
Total liabilities	<u>596,798</u>	<u>34,552</u>
Net assets		
Without donor restrictions		
Undesignated	3,376,562	2,642,937
Board designated - operating reserve	900,000	900,000
Board designated - capital campaign	<u>922,018</u>	<u>922,018</u>
Total unrestricted net assets	<u>5,198,580</u>	<u>4,464,955</u>
With donor restrictions		
Purpose restrictions	<u>401,623</u>	<u>212,079</u>
Total restricted net assets	<u>401,623</u>	<u>212,079</u>
Total net assets	<u>5,600,203</u>	<u>4,677,034</u>
Total liabilities and net assets	<u>\$ 6,197,001</u>	<u>\$ 4,711,586</u>

STARability Foundation, Inc.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 360,260	\$ 300,464	\$ 660,724
Special events	3,003,007	-	3,003,007
Program income	258,895	-	258,895
Grant income	172,783	-	172,783
Goods contributed - STAR Store	19,888	-	19,888
STAR Store sales income	75,750	-	75,750
Less cost of goods sold	(19,888)	-	(19,888)
Membership fees	23,990	-	23,990
In-kind donation income	5,537	-	5,537
Investment return, net	134,617	-	134,617
Total support and revenue before net assets released from restrictions	4,034,839	300,464	4,335,303
Net assets released from restrictions	110,920	(110,920)	-
Total support and revenue	4,145,759	189,544	4,335,303
EXPENSES:			
Program services	2,251,108	-	2,251,108
Management and general	266,597	-	266,597
STAR Store	198,660	-	198,660
Fundraising	695,769	-	695,769
Total expenses	3,412,134	-	3,412,134
CHANGE IN NET ASSETS	733,625	189,544	923,169
NET ASSETS - BEGINNING OF YEAR	4,464,955	212,079	4,677,034
NET ASSETS - END OF YEAR	<u>\$ 5,198,580</u>	<u>\$ 401,623</u>	<u>\$ 5,600,203</u>

STARability Foundation, Inc.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 395,125	\$ 197,844	\$ 592,969
Special events	3,255,872	-	3,255,872
Program income	209,699	-	209,699
Grant income	159,751	-	159,751
STAR Store sales income	89,261	-	89,261
Membership fees	20,900	-	20,900
In-kind donation income	53,806	-	53,806
Investment return, net	(121,226)	-	(121,226)
Total support and revenue before net assets released from restrictions	4,063,188	197,844	4,261,032
Net assets released from restrictions	43,533	(43,533)	-
Total support and revenue	4,106,721	154,311	4,261,032
EXPENSES:			
Program services	1,471,484	-	1,471,484
Management and general	243,381	-	243,381
STAR Store	144,611	-	144,611
Fundraising	662,593	-	662,593
Total expenses	2,522,069	-	2,522,069
CHANGE IN NET ASSETS	1,584,652	154,311	1,738,963
NET ASSETS - BEGINNING OF YEAR	2,880,303	57,768	2,938,071
NET ASSETS - END OF YEAR	\$ 4,464,955	\$ 212,079	\$ 4,677,034

STARability Foundation, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>STAR Store</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits and taxes	\$ 1,266,958	\$ 98,724	\$ 164,540	\$ 115,178	\$ 1,645,400
Special event expenses	-	-	-	479,028	479,028
Office and administration	162,907	93,329	10,769	93,328	360,333
Operating lease expense	229,377	8,809	17,831	4,405	260,422
Professional fees	216,967	54,245	-	-	271,212
Participant social activities	103,861	-	-	-	103,861
Insurance	79,469	11,490	957	3,830	95,746
STAR Store expenses	-	-	4,563	-	4,563
Capital campaign expenses	110,920	-	-	-	110,920
Other program expenses	37,339	-	-	-	37,339
Program supplies	19,047	-	-	-	19,047
Depreciation	24,263	-	-	-	24,263
Total	<u>\$ 2,251,108</u>	<u>\$ 266,597</u>	<u>\$ 198,660</u>	<u>\$ 695,769</u>	<u>\$ 3,412,134</u>

STARability Foundation, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>STAR Store</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits and taxes	\$ 1,001,536	\$ 100,724	\$ 83,943	\$ 126,817	\$ 1,313,020
Special event expenses	-	-	-	404,449	404,449
Office and administration	110,251	54,399	10,598	81,766	257,014
Occupancy	89,706	10,123	24,747	5,062	129,638
Professional fees	85,076	30,776	-	2,718	118,570
Capital campaign expenses	-	38,991	-	38,991	77,982
Participant social activities	73,948	-	-	-	73,948
Insurance	55,055	8,368	930	2,790	67,143
STAR Store expenses	-	-	24,393	-	24,393
Other program expenses	21,213	-	-	-	21,213
Program supplies	19,579	-	-	-	19,579
Depreciation	15,120	-	-	-	15,120
Total	<u>\$ 1,471,484</u>	<u>\$ 243,381</u>	<u>\$ 144,611</u>	<u>\$ 662,593</u>	<u>\$ 2,522,069</u>

STARability Foundation, Inc.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 923,169	\$ 1,738,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,263	15,120
(Gain)/Loss on investments	(227,422)	-
Realized/unrealized (gain)/loss on endowment	(8,635)	-
(Increase)/decrease in:		
Accounts receivable	293	1,599
Prepaid expenses	(45,612)	(8,500)
Land acquisition costs	-	(53,806)
Deposits	(7,529)	(500)
Increase/(decrease) in:		
Accounts payable and accrued expenses	20,536	14,048
Deferred revenue	4,884	10,565
PPP note payable	-	-
Net cash provided by operating activities	683,947	1,717,489
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	-	101,555
Purchase of property and equipment	(148,368)	(11,304)
Net cash provided/(used) by investing activities	(148,368)	90,251
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	535,579	1,807,740
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,826,913	1,019,173
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,362,492	\$ 2,826,913

STARability Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

STARability Foundation, Inc. (the "Organization") was organized under the laws of the State of Florida on June 13, 1983 as a non-profit corporation. The Organization's mission is to transform the lives of individuals with disabilities through social, vocational and educational connections to the community, while strengthening awareness and respect for individual abilities.

Basis of Accounting

The accounts of the Organization are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

Financial Statement Presentation

The financial statements and notes are a representation of the Organization's management who is responsible for their integrity and objectivity. The accounting policies conform to the basis of accounting defined above and have been consistently applied in the preparation of the financial statements.

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 available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and for a capital campaign reserve.

Net Assets With Donor Restrictions - Net assets subject to donor 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 stipulated 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

For purposes of the statement of cash flows, the Organization considers all unrestricted bank and similar deposits, demand accounts, money market funds and short-term investments with an original maturity of three months or less to be cash equivalents, except those held for long-term investment. The Organization maintains bank accounts with balances, which, at times may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received with donor restrictions that limit the use of donated assets are treated as net assets with donor restrictions. When the restriction is met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

STARability Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Donated Assets and Contributed Services

Donations of investments and non-monetary assets are recorded at fair market value on the date donated. Members of the Organization provide substantial amounts of volunteer time in support of the Organization and its programs. However, the volunteer hours are not reflected in the financial statements since the services do not meet the criteria for recognition.

Investments and Investment Income

The Organization accounts for investments in accordance with the "Investments" topic of the FASB ASC. This standard requires investments in equity and debt securities be reported at fair value. Fair value is based on the quoted market price. Realized and unrealized gains or losses on investments are reflected in the statement of activities.

Investments are carried at fair market value. Both realized and unrealized gains and losses are included in the change in net assets and recorded as investment income. Investment income from donor restricted investments is recorded as unrestricted income if restrictions are met in the same reporting period.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities will occur in the near term, and such changes could materially affect the amounts reported on the statement of financial position.

Fair Value of Financial Instruments

The "Financial Instruments" topic of the FASB ASC clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

The Organization's financial instruments consist of cash and cash equivalents, investments, receivables and payables. The Organization estimates that the fair value of all financial instruments at June 30, 2023 and 2022 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

Property and Equipment

Property and equipment is recorded at cost, or if donated, at fair market value on the date of donation for items with a cost or donated fair value of \$500 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Components of property and equipment of the Organization are estimated to have a useful life of five or seven years.

Support and Revenues

The Organization receives its support primarily from the community, local not-for-profit agencies and grants. Revenues are recorded as support when pledged if the contribution is unconditional and without any donor contingencies.

Deferred Revenue

The collection of dues, receipt of fees for services, and sale of event tickets are recognized in the period in which the income is earned.

STARability Foundation, Inc.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and supporting services. Expenses that can be identified with a specific program service are allocated directly to the program according to their natural expenditure classification. Non-direct expenses are allocated using a reasonable method determined by management. The costs of providing program and support services have been summarized on a functional basis in the statement of activities.

Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3). The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization is in compliance with the income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The tax returns for the fiscal years ending June 30, 2021 through June 30, 2023 are open to examination by the IRS.

Leases

The Organization determines if an arrangement is a lease at inception. If an arrangement contains a lease, the Organization performs a lease classification test to determine if the lease is an operating or a finance lease. Three leases have been identified as operating leases. Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent obligations to make lease payments arising from the lease. Operating lease liabilities are recognized on the commencement date of the lease based on the present value of the future lease payments over the lease term. Right-of-use assets are valued at the initial measurement of the lease liability, plus any indirect costs or rent prepayments and reduced by any lease incentives and any deferred lease payments. In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization used the incremental borrowing rates. The incremental borrowing rate is based on the estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the assets.

Change in Accounting Principle: Adoption of ASC 842

Effective July 1, 2022, the Organization adopted FASB ASC 842, Leases. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the assets during the contract period and other facts and circumstances. The Organization elected the package of practical expedient permitted under the transition guidance within the new standard which allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of the right-of-use assets of \$648,860 and operating lease liabilities of \$648,860. Results for the periods prior to July 1, 2022 continue to be reported in accordance with the historical accounting treatment. The standard had a material impact on the statement of financial position, but did not have an impact on the statement of activities or cash flows. The most significant impact was the recognition of the operating lease right-of-use assets and operating lease liabilities.

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 and 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.

STARability Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization routinely monitors liquidity to meet its operating needs and other contractual commitments. The Organization considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures, the Organization operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 3,362,492
Investments	1,823,355
Accounts receivable	2,286
Beneficial interest in assets held by others	115,640
Total financial assets	5,303,773
Less those unavailable for general expenditures within one year, due to:	
Board-designated - operating reserve	(900,000)
Board-designated - capital campaign	(922,018)
Purpose restrictions	(401,623)
Financial assets available to meet cash needs for general expenditure within one year	\$ 3,080,132

Although the Organization does not intend to spend funds from the board-designated - operating reserve of \$900,000 and board-designated - capital campaign of \$922,018 (other than amounts appropriated for expenditure as approved by the Board of Directors), these amounts could be made available if necessary.

NOTE 3 - INVESTMENTS

Investments, at fair value, without donor restrictions, consist of the following:

	2023		2022	
	Cost	Fair Market Value	Cost	Fair Market Value
Cash and cash equivalents	\$ 73,328	\$ 75,275	\$ 387,166	\$ 387,165
Equity	1,068,520	1,208,892	582,510	633,961
Fixed income	559,455	539,188	556,162	532,532
Real estate	-	-	37,490	42,275
	\$ 1,701,303	\$ 1,823,355	\$ 1,563,328	\$ 1,595,933

Investment return, net, consists of the following:

	2023	2022
Interest and dividends	\$ 49,986	\$ 28,209
Gains and losses	93,033	(141,603)
Investment management fees	(8,402)	(7,832)
	\$ 134,617	\$ (121,226)

STARability Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2023 AND 2022

NOTE 4 - FAIR VALUE MEASUREMENTS

The Organization measures fair value as set forth in the Statement of Financial Accounting Standard FASB ASC 820, "Fair Value Measurements." FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The following are the major categories of assets measured at fair value on a recurring basis during the years ended June 30, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Cash and cash equivalents	\$ 75,275	\$ -	\$ -	\$ 75,275
Equity	1,208,892	-	-	1,208,892
Fixed income	539,188	-	-	539,188
Beneficial interest in assets held by Community Foundation	-	-	-	-
	-	-	115,640	115,640
	<u>\$ 1,823,355</u>	<u>\$ -</u>	<u>\$ 115,640</u>	<u>\$ 1,938,995</u>
	2022			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Cash and cash equivalents	\$ 371,260	\$ -	\$ -	\$ 371,260
Equity	797,979	-	-	797,979
Fixed income	379,463	-	-	379,463
Real estate	47,231	-	-	47,231
Beneficial interest in assets held by Community Foundation	-	-	-	-
	-	-	107,005	107,005
	<u>\$ 1,595,933</u>	<u>\$ -</u>	<u>\$ 107,005</u>	<u>\$ 1,702,938</u>

STARability Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2023 AND 2022

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 33,012	\$ 137,931
Vehicles	<u>253,287</u>	<u>-</u>
	286,299	137,931
Less: accumulated depreciation	<u>(133,635)</u>	<u>(109,372)</u>
Total	<u>\$ 152,664</u>	<u>\$ 28,559</u>

Depreciation expense for the years ended June 30, 2023 and 2022, was \$24,263 and \$15,120, respectively.

NOTE 6 - LEASING ACTIVITIES

The Organization has obligations as a lessee for one copy machine and two buildings. The Organization classifies these leases as operating leases.

The following summarizes the line items on the statement of financial position which include amounts for operating leases as of June 30, 2023:

Operating lease right-of-use assets - July 1, 2022	\$ 648,860
Less: current year principal	<u>(112,034)</u>
Operating lease right-of-use assets	<u>\$ 536,826</u>

As of June 30, 2023, the weighted average remaining lease term for all operating leases is 5.6 years, while the weighted average discount rate for all operating leases is 3.34%.

The future maturities of the operating lease obligations, are as follows:

	<u>Year</u>	<u>Amount</u>
	2024	\$ 177,919
	2025	168,165
	2026	173,217
	2027	<u>58,304</u>
Total lease payments		577,605
Less: interest		<u>(40,779)</u>
Present value of operating lease obligations		<u>\$ 536,826</u>

The following summarizes the line items in the statement of activities which include components of lease expense for the year ended June 30, 2023:

Operating lease costs	\$ 127,139
CAM fees	45,187
Total operating lease costs	<u>\$ 172,326</u>

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	<u>\$ 172,326</u>
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Leased assets obtained in exchange for lease obligations:

Operating leases	<u>\$ 648,860</u>
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STARability Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2023 AND 2022

NOTE 6 - LEASING ACTIVITIES - continued

Administrative Offices Lease Agreement

In November 2022, the Organization (the "Lessee") entered into a lease agreement for its administrative offices with a four-year term ended on October 1, 2026. The lease requires monthly payments of \$13,336.50 ("Base Rent") plus applicable sale tax and reimbursement of common area expenses incurred by the lessor.

Thrift Store Lease Agreement

On May 15, 2019, the Organization entered into a lease agreement for its thrift store (STAR Store) with a two-year term ended on May 15, 2021. The lease was renewed for an additional three-year term ending March 15, 2024. The lease requires monthly payments of \$1,486 ("Base Rent") plus applicable sale tax and reimbursement of common area expenses incurred by the lessor.

NOTE 7 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Community Foundation of Collier County (CFCC) maintains an agency endowment (the "STARability Foundation Endowment Fund") for the benefit of the Organization. The Organization has granted CFCC's Board of Directors variance power which gives CFCC the power to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of CFCC's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The invested assets are subject to CFCC investment and spending policies. Invested assets are reported at fair value in the statements of financial position. Changes in the value of assets held by CFCC are reported as investment income in the statements of activities.

Assets held by CFCC for the benefit of the Organization are invested in pooled funds managed by Colonial Consulting. At June 30, 2023, the funds were invested in equity securities (61%) and fixed income securities (39%).

The changes to the Agency fund for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Community Foundation endowment, beginning balance	\$ 107,005	\$ 124,436
Realized gains/(losses)	1,380	1,676
Unrealized gains/(losses)	5,389	(20,725)
Interest and dividends	2,728	2,604
Investment management fees	(862)	(986)
Community Foundation endowment, ending balance	<u>\$ 115,640</u>	<u>\$ 107,005</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Capital campaign	\$ 401,623	212,079

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
COVID-19 expenses	\$ -	\$ -
Garden Project expenses	-	26,028
STAR Connect Online expenses	-	17,505
Capital campaign	110,920	-
	<u>\$ 110,920</u>	<u>\$ 43,533</u>

STARability Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2023 AND 2022

NOTE 9 - SPECIAL EVENTS

Revenues and expenses from the Organization's special events are as follows :

<u>Event</u>	<u>2023</u>		
	<u>Revenue Recognized</u>	<u>Cost of Event</u>	<u>Excess Revenues</u>
Gala	\$ 2,911,619	\$ 463,086	\$ 2,448,533
5K Run	70,408	14,434	55,974
Other events	20,980	1,508	19,472
Totals	<u>\$ 3,003,007</u>	<u>\$ 479,028</u>	<u>\$ 2,523,979</u>

<u>Event</u>	<u>2022</u>		
	<u>Revenue Recognized</u>	<u>Cost of Event</u>	<u>Excess Revenues</u>
Gala	\$ 3,173,082	\$ 375,877	\$ 2,797,205
5K Run	55,845	12,512	43,333
Other events	26,945	16,060	10,885
Totals	<u>\$ 3,255,872</u>	<u>\$ 404,449</u>	<u>\$ 2,851,423</u>

NOTE 10 - RETIREMENT PLAN

The Organization has a 401(k) Profit Sharing Plan for the benefit of its salaried employees. The Organization matches up to 3% of the salaries of the eligible employees. For the years ended June 30, 2023 and 2022, profit sharing expense totaled \$21,685 and \$16,531, respectively.

NOTE 11 - CONCENTRATION OF CREDIT RISK - CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains cash balances at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2023, the Organization's uninsured cash balances totaled \$2,486,647.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Organization received \$318,715 and \$189,945 in contributions from members of the board of directors during the years ended June 30, 2023 and 2022, respectively.

NOTE 13 - CONCENTRATION OF REVENUE

During the year ended June 30, 2023 and 2022, 69% and 76% of the Organization's funding was provided by its annual Gala fundraising event.

NOTE 14 - INTENTION TO GIVE LAND

During the year ended June 30, 2021, a donor expressed intent to donate a portion of the property known as the Lakewood Country Club in Naples, Florida, to the Organization. The prospective donor's intention to give property to the Organization has not yet been recorded because no specific property has been identified and no promise to give has been received. The Organization plans to construct a 15,000 to 20,000 square-foot facility on the property. Land acquisition costs have been provided to the Organization pro bono and are recorded in the statement of financial position as land acquisition costs and in the statement of activities as in-kind donation income.

STARability Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2023 AND 2022

NOTE 14 - INTENTION TO GIVE LAND - continued

During the year ended June 30, 2022, the Organization launched a capital campaign with a goal of \$26 million. For the year ended June 30, 2023 the Organization received \$300,464 of capital campaign contributions, which are included in the net assets with donor restrictions in the statement of financial position and in contribution income in the statement of activities.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events were evaluated through January 23, 2024, which is the date the financial statements were available to be issued. The following subsequent events occurred.

On January 18, 2024, STARability Foundation, Inc. signed a letter of intent to absorb a not-for-profit entity, Southwest Florida Music Education Center. Their purpose was to provide a music education center where neurodivergent students receive music education. Certain due diligence and funding requirements need to be met before the acquisition can be completed.