

SITIKE
FINANCIAL STATEMENTS
Year Ended June 30, 2012

SITIKE

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CERTIFIED PUBLIC ACCOUNTANTS

Partners

Daniel J. Harrington, CPA
Bruce J. Wright, CPA
Michael J. Ellingson, CPA

Principal

Mitchell Richstone, CPA

Independent Auditors' Report

To the Board of Directors
Sitike

We have audited the accompanying Statement of Financial Position of Sitike (a California nonprofit organization) as of June 30, 2012, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2011 financial statements, and in our report dated August 23, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sitike as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012, on our consideration of Sitike's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

September 25, 2012

SITIKE
Statement of Financial Position
June 30, 2012
(With Comparative Totals at June 30, 2011)

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	\$ 108,341	\$ 159,046
Accounts Receivable	122,998	16,504
Prepaid Expenses and Deposits	14,788	12,906
Total Current Assets	246,127	188,456
NONCURRENT ASSETS		
Certificates of Deposit	99,526	98,785
Property and Equipment - Net	1,992	5,110
Total Noncurrent Assets	101,518	103,895
 Total Assets	 \$ 347,645	 \$ 292,351
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 19,193	\$ 8,855
Accrued Employee Benefits	15,551	22,129
Total Current Liabilities	34,744	30,984
NET ASSETS		
Unrestricted	312,901	253,867
Temporarily Restricted	-	7,500
Total Net Assets	312,901	261,367
 Total Liabilities and Net Assets	 \$ 347,645	 \$ 292,351

SITIKE
Statement of Activities
Year Ended June 30, 2012
(With Comparative Totals at June 30, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
REVENUE AND SUPPORT				
Contracts	\$ 540,221	\$ -	\$ 540,221	\$ 413,089
Fees	310,098		310,098	308,894
Grants and Contributions	28,961		28,961	40,915
Interest Income	1,455		1,455	1,840
Other	5		5	37,865
	<u>880,740</u>	<u>-</u>	<u>880,740</u>	<u>802,603</u>
Net Assets Released from Restriction				
Satisfaction of Program Restrictions	7,500	(7,500)	-	-
Total Revenue and Support	<u>888,240</u>	<u>(7,500)</u>	<u>880,740</u>	<u>802,603</u>
EXPENSES				
Program Services	809,336		809,336	722,173
Supporting Services				
Administration and General Expenses	13,339		13,339	80,216
Fund Raising	6,531		6,531	10,693
Total Expenses	<u>829,206</u>	<u>-</u>	<u>829,206</u>	<u>813,082</u>
CHANGE IN NET ASSETS	59,034	(7,500)	51,534	(10,479)
NET ASSETS, Beginning of Year	<u>253,867</u>	<u>7,500</u>	<u>261,367</u>	<u>271,846</u>
NET ASSETS, End of Year	<u>\$ 312,901</u>	<u>\$ -</u>	<u>\$ 312,901</u>	<u>\$ 261,367</u>

SITIKI

Statement of Functional Expenses
Year Ended June 30, 2012

(With Comparative Totals at June 30, 2011)

	Program Services									
	Bay Area Services Network	Child Protective Service	Co-Occurring Disorders	County Nonresidential	Deferred Entry of Judgment	Drug Court Outpatient	First Offender Program	Negotiated Net Amount Nonresidential	P36 Outpatient	
Salaries and Benefits	9,568	33,041	22,735	57,908	9,738	3,193	137,634	47,404	7,220	
Occupancy Expense	1,764	2,232	-	1,837	1,483	422	25,928	2,008	1,640	
Client Transportation	-	-	-	-	-	-	-	-	-	
Supplies and Equipment Leases	1,322	1,572	-	779	666	58	11,119	885	379	
Monitoring Fees	-	-	-	-	636	-	22,949	-	-	
Professional Fees	527	812	269	1,198	730	690	8,713	991	307	
Drug Testing	-	12,946	-	259	1,416	-	-	-	-	
Food Supplies	-	-	-	-	-	-	-	-	-	
Repairs and Maintenance	270	56	-	256	170	47	3,438	201	95	
Insurance	-	316	191	436	326	204	2,372	617	200	
Bank Charges and Fees	187	-	-	374	400	40	3,293	318	52	
Telephone	225	151	-	260	151	24	2,783	209	75	
Utilities	206	31	-	75	106	2	1,894	107	35	
Depreciation	187	94	-	125	94	-	515	156	31	
Website	-	-	-	-	-	-	-	-	-	
Staff Training	18	-	-	87	24	2	80	89	8	
Education	-	-	-	-	-	-	-	-	-	
Total Expenses	\$ 14,274	\$ 51,251	\$ 23,195	\$ 63,594	\$ 15,940	\$ 4,682	\$ 220,718	\$ 52,985	\$ 10,042	

	Program Services					Supporting Services		Total 2012	Total 2011
	Women's Drug Court	CalWorks	MCE Day	Women's Intensive Treatment	Total Program Services	Administration and General	Fund Raising		
Salaries and Benefits	15,671	34,721	69,731	116,100	564,664	5,361	6,155	576,180	584,290
Occupancy Expense	2,073	7,671	9,325	17,117	73,500	-	-	73,500	73,500
Client Transportation	500	880	5,440	41,180	48,000	-	-	48,000	38,000
Supplies and Equipment Leases	246	296	601	4,862	22,785	5,829	320	28,934	19,471
Monitoring Fees	-	-	-	-	23,585	-	-	23,585	24,052
Professional Fees	222	204	712	4,775	20,150	535	56	20,741	11,488
Drug Testing	-	-	-	5,716	20,337	-	-	20,337	17,840
Food Supplies	48	120	77	7,368	7,613	-	-	7,613	6,319
Repairs and Maintenance	69	25	142	1,567	6,336	9	-	6,345	5,977
Insurance	107	4	31	585	5,389	2	-	5,391	5,124
Bank Charges and Fees	67	82	100	172	5,085	3	-	5,088	8,067
Telephone	-	42	204	923	5,047	16	-	5,063	4,567
Utilities	-	31	66	869	3,422	143	-	3,565	7,443
Depreciation	-	62	1,231	530	3,025	93	-	3,118	3,119
Website	-	-	-	-	-	1,348	-	1,348	110
Staff Training	3	6	9	72	398	-	-	398	715
Education	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 19,006	\$ 44,144	\$ 87,669	\$ 201,836	\$ 809,336	\$ 13,339	\$ 6,531	\$ 829,206	\$ 813,082

See Notes to Financial Statements
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SITIKE
Statement of Cash Flows
Year Ended June 30, 2012
(With Comparative Totals at June 30, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 51,534	\$ (10,479)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities		
Reinvested Interest	(741)	-
Depreciation	3,119	3,119
(Increase) Decrease in Operating Assets		
Accounts Receivable	(106,494)	(4,312)
Prepaid Expenses and Deposits	11,180	2,047
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(2,725)	(2,237)
Accrued Employee Benefits	(6,578)	(6,354)
Accrued Expenses	-	(8,000)
Net Cash (Used) by Operating Activities	<u>(50,705)</u>	<u>(26,216)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer from Certificate of Deposit	-	82,432
Net Cash Provided by Investing Activities	<u>-</u>	<u>82,432</u>
NET INCREASE (DECREASE) IN CASH	(50,705)	56,216
CASH, Beginning of Year	<u>159,046</u>	<u>102,830</u>
CASH, End of Year	<u>\$ 108,341</u>	<u>\$ 159,046</u>

SITIKE
Notes to Financial Statements
June 30, 2012

1. **Nature of Activities**

Sitike is a California-based nonprofit organization, founded in 1988 that provides outpatient abuse treatment to adult residents of San Mateo County and the surrounding Bay Area communities. Our mission is to provide community-based counseling and education in a safe and healing environment that embraces the cultural and emotional needs of every client and to help people find hope, resiliency and life-affirming change. We offer hope and healing by addressing the behavioral, emotional and spiritual needs of our clients. Sitike believes that real, sustained recovery is possible for anyone caught in the web of alcohol or other drug addiction.

2. **Summary of Significant Accounting Policies**

Basis of Accounting – The financial statements of Sitike have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents – For the purposes of the Statement of Cash Flows, Sitike considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable – No allowance for doubtful accounts is considered necessary since the receivables relate primarily to governmental agencies.

Accounting for Contributions – Sitike reports information about its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted contributions are recognized as an increase in unrestricted net assets when received. Donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When restrictions are satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the activity statement as net assets released from restrictions. When restrictions are satisfied in the same accounting period that the contribution is received, both the revenue and the related expenses are reported in the unrestricted net asset class. There were no temporarily and permanently restricted net assets at June 30, 2012.

SITIKE
Notes to Financial Statements
June 30, 2012
(Continued)

2. **Summary of Significant Accounting Policies (continued)**

Property and Equipment – Acquisitions of property and equipment in excess of \$2,000 are capitalized. Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Contributed Services – Contributions of services are recognized when received if such services (a) create or enhance non-financial assets, (b) require specialized skills, and (c) are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Sitike pays for most services requiring specific expertise.

Donated Property and Equipment – Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Sitike reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Sitike reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Fair Value of Financial Instruments – The carrying amounts of cash, accounts receivable, certificates of deposit, prepaid expenses and deposits, accounts payable, and accrued expenses, none of which are held for trading purposes, approximate the fair value due to the short-term maturities of those instruments.

Functional Allocation of Expenses – Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by Sitike's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

SITIKE
Notes to Financial Statements
June 30, 2012
(Continued)

2. Summary of Significant Accounting Policies (continued)

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reporting amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, support, and expenses. Actual results could differ from those estimates.

Income Taxes – Sitike is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. In addition, Sitike also qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Sitike recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Sitike does not believe its financial statements include any uncertain tax positions.

Sitike's exempt organization returns are subject to examination by federal and state taxing authorities for three years (four for state) after they are filed.

Comparative Totals – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Sitike's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

3. Concentration of Credit Risk

Sitike maintains cash balances at a financial institution located in South San Francisco. Accounts at this institution are insured up to \$250,000. At June 30, 2012, Sitike had no uninsured cash balances.

Contracts with the County of San Mateo accounted for 54% of Sitike's revenues and support for the fiscal year ended June 30, 2012 and 98% of its accounts receivable at June 30, 2012.

SITIKE
Notes to Financial Statements
June 30, 2012
(Continued)

4. Certificate of Deposit

Sterling Bank and Trust, \$99,526, 1 year certificate of deposit, earning interest at 0.60%, matures July 2013.

5. Property and Equipment

Furniture and Equipment	\$ 50,855
Leasehold Improvements	<u>168,244</u>
	219,099
Less Accumulated Depreciation	<u>(217,107)</u>
Property and Equipment – Net	\$ <u>1,992</u>

Depreciation expense for the year ended June 30, 2012 was \$3,119.

6. Operating Lease Commitments

Sitike is obligated under a long-term lease agreement for personal property extending to April 2013. For the year ended June 30, 2012, rent paid under the operating lease was \$7,514. Future minimum lease commitments are as follows:

<u>Year Ending June 30,</u>	
2013	\$ <u>3,995</u>

The lease on the real property is currently on a month to month basis pending state approval. For the year ended June 30, 2012, rent paid under this lease was \$73,500.

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Notes to Financial Statements
June 30, 2012
(Continued)

7. Retirement Plan

Sitike has a 403(b) tax deferred annuity plan that provides retirement benefits to eligible employees. Employees are eligible to participate upon being hired and are permitted to contribute 100% of their compensation up to the maximum permitted by law. No matching contribution was made by the employer for the year ended June 30, 2012.

8. Subsequent Events

Management has evaluated subsequent events through September 25, 2012, the date which the financial statements were available to be issued, and determined that no subsequent events occurred.



CERTIFIED PUBLIC ACCOUNTANTS

Partners

Daniel J. Harrington, CPA

Bruce J. Wright, CPA

Michael J. Ellingson, CPA

Principal

Mitchell Richstone, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Sitike

We have audited the financial statements of Sitike (a California nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Sitike is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sitike's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sitike's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sitike's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the board of directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "J. D. W.", is positioned in the center of the page.

September 25, 2012