

SITIKE
FINANCIAL STATEMENTS
Year Ended June 30, 2013

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 Auditor's Report

To the Board of Directors
Sitike

Report on the Financial Statements

We have audited the accompanying financial statements of Sitike (a California nonprofit organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2012 financial statements, and in our report dated September 25, 2012, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Independent Auditor's Report
(Continued)

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sitike as of June 30, 2013, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sitike's internal control over financial reporting and compliance.

South San Francisco, California
August 23, 2013



SITIKE
Statement of Financial Position
June 30, 2013
(With Comparative Totals at June 30, 2012)

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	\$ 260,612	\$ 108,341
Accounts Receivable	60,279	122,998
Prepaid Expenses and Deposits	13,660	14,788
Total Current Assets	334,551	246,127
NONCURRENT ASSETS		
Certificate of Deposit	99,975	99,526
Property and Equipment - Net	3,664	1,992
Total Noncurrent Assets	103,639	101,518
 Total Assets	 \$ 438,190	 \$ 347,645
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 68,640	\$ 19,193
Accrued Employee Benefits	16,590	15,551
Total Current Liabilities	85,230	34,744
NET ASSETS		
Unrestricted	352,960	312,901
Total Net Assets	352,960	312,901
 Total Liabilities and Net Assets	 \$ 438,190	 \$ 347,645

SITIKE
Statement of Activities
Year Ended June 30, 2013
(With Comparative Totals at June 30, 2012)

	<u>2013</u>	<u>2012</u>
REVENUE AND SUPPORT		
Contracts	\$ 504,942	\$ 540,221
Fees	336,152	310,098
Grants and Contributions	27,691	28,961
Special Events (Net of Expenses of \$2,104)	2,095	-
Interest Income	1,179	1,455
Other	-	5
Total Revenue and Support	<u>872,059</u>	<u>880,740</u>
 EXPENSES		
Program Services	821,148	809,336
Supporting Services		
Administration and General Expenses	7,695	13,339
Fund Raising	3,157	6,531
Total Expenses	<u>832,000</u>	<u>829,206</u>
 CHANGE IN NET ASSETS	40,059	51,534
 UNRESTRICTED NET ASSETS, Beginning of Year	<u>312,901</u>	<u>261,367</u>
 UNRESTRICTED NET ASSETS, End of Year	<u>\$ 352,960</u>	<u>\$ 312,901</u>

SMTKE
Statement of Functional Expenses
Year Ended June 30, 2013
(With Comparative Totals at June 30, 2012)

	Program Services										
	County Nonresidential	Negotiated Net Amount Nonresidential	Achieve180	AB109	P36 Outpatient	Drug Court Outpatient	Co-Occurring Disorders	Bay Area Services Network	Deferred Entry of Judgment	Anger Management	First Offender Program
Salaries and Benefits	\$ 54,896	\$ 45,508	\$ 380	\$ 3,021	\$ 8,618	\$ 4,862	\$ 22,633	\$ 11,769	\$ 17,760	\$ 1,171	\$ 141,544
Occupancy Expense	2,003	1,128	-	-	557	150	-	2,483	1,876	-	32,084
Client Transportation	-	-	-	-	-	-	-	-	-	-	-
Monitoring Fees	-	-	-	-	-	-	-	-	1,140	-	22,646
Supplies and Equipment Leases	622	457	-	-	250	199	-	937	583	-	9,507
Drug Testing	301	-	-	-	-	-	-	-	2,014	-	-
Utilities	408	223	-	-	143	25	-	545	341	-	6,493
Professional Fees	555	507	4	-	138	107	204	233	411	1	3,840
Bank Charges and Fees	429	311	-	-	102	72	-	345	206	-	4,496
Repairs and Maintenance	170	98	-	-	76	46	-	240	168	-	2,609
Food Supplies	-	-	-	-	-	-	-	-	-	-	-
Insurance	419	419	-	-	-	-	52	159	312	-	2,407
Telephone	145	104	-	-	60	36	-	203	162	-	2,362
Depreciation	20	20	-	-	9	-	-	40	20	-	510
Website	-	-	-	-	-	-	-	-	-	-	-
Staff Training	9	3	-	-	9	-	-	15	3	-	69
Total Expenses	\$ 59,977	\$ 48,778	\$ 384	\$ 3,021	\$ 9,960	\$ 5,497	\$ 22,889	\$ 16,969	\$ 24,996	\$ 1,172	\$ 228,567

	Program Services					Supporting Services				
	WAB109	Women's Intensive Treatment	CalWorks	MCE Day	Child Protective Service	Total Program Services	Administration and General	Fund Raising	Total 2013	Total 2012
Salaries and Benefits	\$ 19,115	\$ 122,932	\$ 17,860	\$ 78,682	\$ 23,921	\$ 574,672	\$ 7,014	\$ 1,986	\$ 583,672	\$ 576,180
Occupancy Expense	639	13,991	991	14,652	180	70,734	-	-	70,734	73,500
Client Transportation	426	45,517	270	4,787	-	51,000	-	-	51,000	48,000
Monitoring Fees	-	-	-	-	-	23,786	-	-	23,786	23,585
Supplies and Equipment Leases	183	4,705	646	3,522	714	22,325	22	807	23,154	28,934
Drug Testing	-	4,836	-	-	14,254	21,405	-	-	21,405	20,337
Utilities	131	2,878	181	2,897	-	14,265	183	-	14,448	3,565
Professional Fees	102	2,564	594	1,741	452	11,451	273	25	11,749	20,741
Bank Charges and Fees	243	813	365	1,023	-	8,405	112	-	8,517	5,088
Repairs and Maintenance	56	1,258	136	1,104	39	6,000	6	1	6,007	6,345
Food Supplies	-	4,559	118	807	-	5,484	-	-	5,484	7,613
Insurance	-	471	164	569	261	5,233	-	-	5,233	5,391
Telephone	44	880	100	789	202	5,087	9	-	5,096	5,063
Depreciation	9	226	40	107	-	1,001	1	-	1,002	3,118
Website	-	-	-	-	-	-	75	338	413	1,348
Staff Training	3	60	-	129	-	300	-	-	300	398
Total Expenses	\$ 20,951	\$ 205,690	\$ 21,465	\$ 110,809	\$ 40,023	\$ 821,148	\$ 7,695	\$ 3,157	\$ 832,000	\$ 829,206

SITIKE
Statement of Cash Flows
Year Ended June 30, 2013
(With Comparative Totals at June 30, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 40,059	\$ 51,534
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Reinvested Interest	(449)	(741)
Depreciation	1,002	3,118
(Increase) Decrease in Operating Assets		
Accounts Receivable	62,719	(106,494)
Prepaid Expenses and Deposits	1,128	11,180
Increase (Decrease) in Operating Liabilities		
Accounts Payable	49,447	(2,724)
Accrued Employee Benefits	1,039	(6,578)
Net Cash Provided (Used) by Operating Activities	<u>154,945</u>	<u>(50,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(2,674)</u>	-
Net Cash Provided by Investing Activities	<u>(2,674)</u>	-
NET INCREASE (DECREASE) IN CASH	152,271	(50,705)
CASH, Beginning of Year	<u>108,341</u>	<u>159,046</u>
CASH, End of Year	<u>\$ 260,612</u>	<u>\$ 108,341</u>

SITIKE
Notes to Financial Statements
June 30, 2013

1. **Nature of Activities**

Sitike is a California-based nonprofit organization, founded in 1988 that provides outpatient abuse and mental health 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.

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 restricted or permanently restricted net assets at June 30, 2013.

SITIKE
Notes to Financial Statements
June 30, 2013
(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, certificate 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, 2013
(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 generally subject to examination by federal and state tax authorities for three and four years, respectively, after filing.

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, 2012, 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, 2013, Sitike's uninsured cash balances totaled \$19,365.

Contracts with the County of San Mateo accounted for 59% of Sitike's revenues and support for the fiscal year ended June 30, 2013 and 96% of its accounts receivable at June 30, 2013.

SITIKE
Notes to Financial Statements
June 30, 2013
(Continued)

4. Certificate of Deposit

Sterling Bank and Trust, \$99,975, 1 year certificate of deposit, earning interest at 0.45%, matures July 2014.

5. Property and Equipment

Furniture and Equipment	\$ 53,529
Leasehold Improvements	<u>168,244</u>
	221,773
Less Accumulated Depreciation	<u>(218,109)</u>
Property and Equipment – Net	\$ <u>3,664</u>

Depreciation expense for the year ended June 30, 2013 was \$1,002.

6. Operating Lease Commitments

Sitike is obligated under a long-term lease agreement for a copier extending to December 2013. For the year ended June 30, 2013, rent paid under the operating lease was \$6,620. Future minimum lease commitments are as follows:

<u>Year Ending June 30,</u>	
2014	\$ <u>2,996</u>

The lease on the real property is currently on a yearly basis. For the year ended June 30, 2013, rent paid under this lease was \$70,836.

SITIKE
Notes to Financial Statements
June 30, 2013
(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, 2013.

8. Contingent Liabilities

Sitike's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether the program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Sitike has no provision for the possible disallowance of program costs on their financial statements.

9. Subsequent Events

Management has evaluated subsequent events through August 23, 2013, 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

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Michael J. Ellingson, CPA

Principal

Mitchell Richstone, CPA

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Sitike (a California nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 23, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sitike's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR'S 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)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sitike's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



South San Francisco, California
August 23, 2013