

SITIKE
FINANCIAL STATEMENTS
Year Ended June 30, 2015

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, 2015, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related notes to the 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, 2015, 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.

Report on Summarized Comparative Information

We have previously audited Sitike's 2014 financial statements, and our report dated September 9, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015, 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 28, 2015



SITIKE
Statement of Financial Position
June 30, 2015
(With Comparative Totals at June 30, 2014)

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 227,262	\$ 221,973
Accounts Receivable	31,071	8,440
Prepaid Expenses and Deposits	14,173	14,236
Total Current Assets	272,506	244,649
NONCURRENT ASSETS		
Certificate of Deposit	100,677	100,426
Property and Equipment - Net	1,655	2,535
Total Noncurrent Assets	102,332	102,961
 Total Assets	 \$ 374,838	 \$ 347,610
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 9,523	\$ 16,494
Accrued Employee Benefits	16,217	15,435
Deferred Service Revenue	33,150	49,967
Total Current Liabilities	58,890	81,896
NET ASSETS		
Unrestricted	315,948	260,714
Temporarily Restricted	-	5,000
Total Net Assets	315,948	265,714
 Total Liabilities and Net Assets	 \$ 374,838	 \$ 347,610

SITIKE
Statement of Activities
Year Ended June 30, 2015
(With Comparative Totals at June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015</u>	<u>2014</u>
REVENUE AND SUPPORT				
Contracts	\$ 530,962	\$ -	\$ 530,962	\$ 437,218
Fees	263,199	-	263,199	265,498
Grants and Contributions	17,368	-	17,368	37,294
Interest Income	546	-	546	1,144
Other	16,743	-	16,743	31
	<u>828,818</u>	<u>-</u>	<u>828,818</u>	<u>741,185</u>
Net Assets Released from Restriction				
Satisfaction of Program Restrictions	5,000	(5,000)	-	-
Total Revenue and Support	<u>833,818</u>	<u>(5,000)</u>	<u>828,818</u>	<u>741,185</u>
EXPENSES				
Program Services	761,513	-	761,513	785,754
Supporting Services				
Administration and General Expenses	26,084	-	26,084	39,530
Fund Raising	2,993	-	2,993	3,147
Total Expenses	<u>790,590</u>	<u>-</u>	<u>790,590</u>	<u>828,431</u>
CHANGE IN NET ASSETS	43,228	(5,000)	38,228	(87,246)
NET ASSETS, Beginning of Year	260,714	5,000	265,714	352,960
Prior Period Adjustment (See Note 9)	12,006	-	12,006	-
NET ASSETS (Adjusted), Beginning of Year	<u>272,720</u>	<u>5,000</u>	<u>277,720</u>	<u>352,960</u>
NET ASSETS, End of Year	<u>\$ 315,948</u>	<u>\$ -</u>	<u>\$ 315,948</u>	<u>\$ 265,714</u>

SITIKE
Statement of Functional Expenses
Year Ended June 30, 2015
(With Comparative Totals at June 30, 2014)

Program Services

	County Nonresidential	Negotiated Net Amount Nonresidential	Women's Criminal Justice	P36 Outpatient	Drug Court Outpatient	Co-Occurring Disorders	Deferred Entry of Judgment	Anger Management	First Offender Program
Salaries and Benefits	\$ 93,882	\$ 36,627	\$ 2,494	\$ 3,913	\$ 4,383	\$ 22,404	\$ 18,426	\$ 2,139	\$ 114,669
Occupancy Expense	7,524	1,807	331	867	1,177	-	1,947	-	31,651
Client Transportation	49	36	435	6	2	21	18	-	245
Drug Testing	87	-	-	-	-	-	1,822	-	-
Professional Fees	3,862	1,508	28	135	114	434	286	25	4,447
Monitoring Fees	-	-	-	-	-	-	1,142	-	17,449
Utilities	1,298	1,068	121	288	287	-	646	-	7,295
Supplies and Equipment Leases	1,434	581	122	214	324	140	390	-	6,145
Licenses and Fees	966	1,009	38	84	140	-	320	-	3,681
Insurance	699	731	29	71	-	71	238	-	2,799
Telephone	528	709	46	55	245	-	239	-	2,877
Repairs and Maintenance	627	91	47	32	31	240	180	-	2,687
Food Supplies	-	-	37	-	-	-	-	-	-
Depreciation	70	26	9	35	-	-	35	-	396
Board Expense	41	31	5	-	-	-	21	-	129
Staff Training	42	24	1	7	-	-	13	-	32
Website	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 111,109	\$ 44,248	\$ 3,743	\$ 5,707	\$ 6,703	\$ 23,310	\$ 25,723	\$ 2,164	\$ 194,502

Program Services

Supporting Services

	Women's Drug Court	Women's Intensive Treatment	CalWorks	Domestic Violence	Child Protective Service	Total Program Services	Administration and General	Fund Raising	Total 2015	Total 2014
Salaries and Benefits	\$ 6,794	\$ 116,640	\$ 40,740	\$ -	\$ 36,903	\$ 500,014	\$ 25,000	\$ 2,780	\$ 527,794	\$ 577,159
Occupancy Expense	500	17,811	4,581	-	2,108	70,304	-	-	70,304	70,304
Client Transportation	-	53,459	4,236	-	-	58,507	6	-	58,513	56,400
Drug Testing	-	6,398	-	-	15,821	24,128	-	-	24,128	17,429
Professional Fees	1	10,813	545	-	408	22,606	201	75	22,882	15,528
Monitoring Fees	-	-	-	-	-	18,591	-	-	18,591	18,603
Utilities	-	4,526	365	-	316	16,210	203	-	16,413	15,432
Supplies and Equipment Leases	-	5,782	479	-	411	16,022	8	138	16,168	22,471
Licenses and Fees	-	2,966	231	250	-	9,685	3	-	9,688	6,251
Insurance	-	1,899	321	-	136	6,994	3	-	6,997	6,126
Telephone	-	1,416	145	-	124	6,384	6	-	6,390	5,492
Repairs and Maintenance	-	1,788	197	-	38	5,958	4	-	5,962	6,101
Food Supplies	-	4,373	194	-	-	4,604	-	-	4,604	4,775
Depreciation	-	273	18	-	-	862	18	-	880	1,129
Board Expense	-	31	36	-	-	294	522	-	816	1,476
Staff Training	-	207	3	-	21	350	-	-	350	695
Website	-	-	-	-	-	-	110	-	110	3,060
Total Expenses	\$ 7,295	\$ 228,382	\$ 52,091	\$ 250	\$ 56,286	\$ 761,513	\$ 26,084	\$ 2,993	\$ 790,590	\$ 828,431

See Notes to Financial Statements
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SITIKE
Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals at June 30, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 38,228	\$ (87,246)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Reinvested Interest	(252)	(451)
Depreciation	880	1,129
(Increase) Decrease in Operating Assets		
Accounts Receivable	(10,625)	51,839
Prepaid Expenses and Deposits	63	(576)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(6,970)	(52,146)
Accrued Employee Benefits	782	(1,155)
Deferred Service Revenue	(16,817)	49,967
Net Cash Provided (Used) by Operating Activities	<u>5,289</u>	<u>(38,639)</u>
 NET INCREASE (DECREASE) IN CASH	 5,289	 (38,639)
 CASH, Beginning of Year	 <u>221,973</u>	 <u>260,612</u>
 CASH, End of Year	 <u>\$ 227,262</u>	 <u>\$ 221,973</u>

SITIKE
Notes to Financial Statements
June 30, 2015

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, and all receivables were subsequently collected.

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 permanently restricted net assets at June 30, 2015.

SITIKE
Notes to Financial Statements
June 30, 2015
(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, accrued expenses, and deferred service revenue, 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, 2015
(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, 2014, from which the summarized information was derived.

3. Concentration of Credit Risk

Sitike maintains cash balances at various financial institutions located in South San Francisco. Accounts at these institutions are insured up to \$250,000. At June 30, 2015, Sitike had no uninsured cash balances.

Contracts with the County of San Mateo accounted for 64% of Sitike's revenues and support for the fiscal year ended June 30, 2015 and 51% of its accounts receivable at June 30, 2015.

SITIKE
Notes to Financial Statements
June 30, 2015
(Continued)

4. Certificate of Deposit

Sterling Bank and Trust, \$100,677, 1 year certificate of deposit, earning interest at 0.25%, matured July 2015. The certificate was renewed at maturity with a new due date of July 2016.

5. Property and Equipment

Furniture and Equipment	\$ 53,529
Leasehold Improvements	<u>168,244</u>
	221,773
Less Accumulated Depreciation	<u>(220,118)</u>
Property and Equipment – Net	\$ <u>1,655</u>

Depreciation expense for the year ended June 30, 2015 was \$880.

6. 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 Sitike for the year ended June 30, 2015.

7. Operating Lease Commitments

Sitike is obligated under a long-term lease agreement for a copier extending to December 2018. For the year ended June 30, 2015, rent paid under the operating lease was \$4,424. Future minimum lease commitments are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 4,267
2017	4,267
2018	4,267
2019	<u>2,134</u>
Total	\$ <u>14,935</u>

SITIKE
Notes to Financial Statements
June 30, 2015
(Continued)

7. Operating Lease Commitments (continued)

The lease on the real property is currently on a yearly basis. For the year ended June 30, 2015, rent paid under this lease was \$70,304.

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. Prior Period Adjustment

During the current year under audit, it was discovered that an unemployment refund of \$12,066 that Sitike was notified of in June 2014 and received in July 2014 had not been accrued as receivable as of June 30, 2014. The net effect on the beginning net asset balance is a reduction of unrestricted net assets in the amount of \$12,066.

10. Subsequent Events

Management has evaluated subsequent events through August 28, 2015, the date which the financial statements were available to be issued, and determined that no reportable subsequent events occurred.



CERTIFIED PUBLIC ACCOUNTANTS

Partners

Daniel J. Harrington, CPA

Bruce J. Wright, CPA

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, 2015, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2015.

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 28, 2015