

**SITIKE**

Audited Financial Statements

Year Ended June 30, 2016

# SITIKE

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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 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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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, 2016, 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.

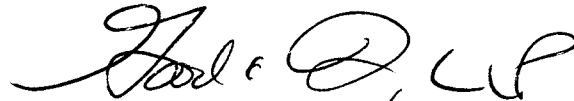
***Report on Summarized Comparative Information***

We have previously audited Sitike's 2015 financial statements, and our report dated August 28, 2015, 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, 2015, 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 October 12, 2016, 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  
October 12, 2016



**SITIKE**  
Statement of Financial Position  
June 30, 2016  
(With Comparative Totals at June 30, 2015)

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 265,341	\$ 227,262
Accounts Receivable	7,216	31,071
Prepaid Expenses and Deposits	14,925	14,173
Total Current Assets	287,482	272,506
<b>NONCURRENT ASSETS</b>		
Certificate of Deposit	101,333	100,677
Property and Equipment - Net	1,273	1,655
Total Noncurrent Assets	102,606	102,332
 Total Assets	 \$ 390,088	 \$ 374,838
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 53,042	\$ 9,523
Accrued Employee Benefits	12,248	16,217
Deferred Service Revenue	-	33,150
Total Current Liabilities	65,290	58,890
<b>NET ASSETS</b>		
Unrestricted	324,798	315,948
Total Net Assets	324,798	315,948
 Total Liabilities and Net Assets	 \$ 390,088	 \$ 374,838

**SITIKE**  
Statement of Activities  
Year Ended June 30, 2016  
(With Comparative Totals at June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
<b>REVENUE AND SUPPORT</b>				
Contracts	\$ 506,876	\$ -	\$ 506,876	\$ 530,962
Fees	329,077	-	329,077	263,160
Grants and Contributions	17,534	-	17,534	17,368
Interest Income	1,061	-	1,061	546
Other	36	-	36	16,782
Total Revenue and Support	<u>854,584</u>	<u>-</u>	<u>854,584</u>	<u>828,818</u>
<b>EXPENSES</b>				
Program Services	835,460	-	835,460	761,513
Supporting Services				
Administration and General Expenses	8,248	-	8,248	26,084
Fund Raising	2,026	-	2,026	2,993
Total Expenses	<u>845,734</u>	<u>-</u>	<u>845,734</u>	<u>790,590</u>
<b>CHANGE IN NET ASSETS</b>	8,850	-	8,850	38,228
<b>NET ASSETS, Beginning of Year</b>	<u>315,948</u>	<u>-</u>	<u>315,948</u>	<u>277,720</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 324,798</u>	<u>\$ -</u>	<u>\$ 324,798</u>	<u>\$ 315,948</u>

**SITIKE**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2016**  
(With Comparative Totals at June 30, 2015)

	<b>Program Services</b>										
	<b>First Offender Program</b>	<b>Drug MediCal IOP</b>	<b>County Nonresidential</b>	<b>Women's Intensive Treatment</b>	<b>CalWorks</b>	<b>Negotiated Net Amount Nonresidential</b>	<b>Child Protective Service</b>	<b>Deferred Entry of Judgment</b>	<b>Co-Occurring Disorders</b>	<b>Domestic Violence</b>	<b>Drug Court Outpatient</b>
Salaries and Benefits	\$ 143,847	\$ 106,658	\$ 110,925	\$ 36,591	\$ 33,466	\$ 38,944	\$ 27,608	\$ 20,331	\$ 22,709	\$ 10,471	\$ 9,203
Occupancy Expense	25,200	17,620	6,324	6,094	2,908	3,456	850	3,808	-	1,104	1,200
Client Transportation	163	42,321	43	7,797	9,323	16	-	10	10	125	-
Professional Fees	3,880	13,187	1,634	1,290	1,033	516	403	421	405	307	193
Drug Testing	-	-	193	4,528	-	-	13,296	4,135	-	-	-
Monitoring Fees	19,358	-	-	-	-	-	-	1,520	-	-	-
Utilities	6,635	4,711	1,755	1,925	807	1,005	325	754	-	375	100
Supplies and Equipment Leases	5,677	3,604	1,544	1,812	689	562	417	421	127	421	293
Telephone	2,773	1,813	669	613	294	219	142	294	-	294	168
Insurance	2,368	1,644	693	707	483	275	134	275	64	205	-
Licenses and Fees	2,174	219	748	2,090	383	255	-	255	-	439	109
Repairs and Maintenance	2,271	1,590	581	598	258	258	60	258	258	127	50
Food Supplies	-	2,286	-	735	578	-	-	-	-	-	-
Staff Training	48	48	78	294	60	24	-	18	-	512	6
Board Expense	37	6	21	31	4	8	-	6	-	4	-
Website	196	128	84	28	16	44	5	21	-	10	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 214,627</b>	<b>\$ 195,835</b>	<b>\$ 125,292</b>	<b>\$ 65,133</b>	<b>\$ 50,302</b>	<b>\$ 45,582</b>	<b>\$ 43,240</b>	<b>\$ 32,527</b>	<b>\$ 23,573</b>	<b>\$ 14,394</b>	<b>\$ 11,322</b>

	<b>Program Services</b>						<b>Supporting Services</b>				
	<b>Anger Management</b>	<b>P36 Outpatient</b>	<b>Drug MediCal ODF</b>	<b>Criminal Justice Realignment</b>	<b>Women's Drug Court</b>	<b>Drug Education</b>	<b>Total Program Services</b>	<b>Administration and General</b>	<b>Fund Raising</b>	<b>Total 2016</b>	<b>Total 2015</b>
Salaries and Benefits	\$ 3,279	\$ 2,357	\$ 1,294	\$ 1,280	\$ 515	\$ 385	\$ 569,863	\$ 5,559	\$ 1,861	\$ 577,283	\$ 527,794
Occupancy Expense	696	404	48	500	24	-	70,236	68	-	70,304	70,304
Client Transportation	-	-	-	-	-	-	59,808	58	-	59,866	58,513
Professional Fees	26	65	1,344	100	6	-	24,810	218	84	25,112	22,882
Drug Testing	-	-	-	-	-	-	22,152	-	-	22,152	24,128
Monitoring Fees	-	-	-	-	-	-	20,878	-	-	20,878	18,591
Utilities	184	275	51	-	1	-	18,903	139	-	19,042	16,413
Supplies and Equipment Leases	-	212	-	63	41	-	15,883	166	69	16,118	16,168
Telephone	-	119	-	-	35	-	7,433	80	-	7,513	6,390
Insurance	-	64	-	-	8	-	6,920	57	-	6,977	6,997
Licenses and Fees	-	34	-	-	14	-	6,720	68	-	6,788	9,688
Repairs and Maintenance	60	77	-	-	12	-	6,458	45	-	6,503	5,962
Food Supplies	-	-	-	-	27	-	3,626	21	-	3,647	4,604
Staff Training	-	12	-	-	-	-	1,100	585	-	1,685	350
Board Expense	-	-	-	-	-	-	117	797	12	926	816
Website	5	11	-	-	5	-	553	5	-	558	110
Depreciation	-	-	-	-	-	-	-	382	-	382	880
<b>Total Expenses</b>	<b>\$ 4,250</b>	<b>\$ 3,630</b>	<b>\$ 2,737</b>	<b>\$ 1,943</b>	<b>\$ 688</b>	<b>\$ 385</b>	<b>\$ 835,460</b>	<b>\$ 8,248</b>	<b>\$ 2,026</b>	<b>\$ 845,734</b>	<b>\$ 790,590</b>

**SITIKE**  
Statement of Cash Flows  
Year Ended June 30, 2016  
(With Comparative Totals at June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 8,850	\$ 38,228
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Reinvested Interest	(656)	(252)
Depreciation	382	880
(Increase) Decrease in Operating Assets		
Accounts Receivable	23,855	(10,625)
Prepaid Expenses and Deposits	(752)	63
Increase (Decrease) in Operating Liabilities		
Accounts Payable	43,519	(6,970)
Accrued Employee Benefits	(3,969)	782
Deferred Service Revenue	(33,150)	(16,817)
Net Cash Provided by Operating Activities	<u>38,079</u>	<u>5,289</u>
 <b>NET INCREASE IN CASH</b>	 38,079	 5,289
 <b>CASH, Beginning of Year</b>	 <u>227,262</u>	 <u>221,973</u>
 <b>CASH, End of Year</b>	 <u>\$ 265,341</u>	 <u>\$ 227,262</u>



**SITIKE**  
Notes to Financial Statements  
June 30, 2016

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 temporarily or permanently restricted net assets at June 30, 2016.

**SITIKE**  
Notes to Financial Statements  
June 30, 2016  
(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.

**Client Fees** – Fees are charged for treatment and services provided by Sitike. Due to the uncertain nature of collection of these fees, revenue is recognized only when cash is received.

**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.

**SITIKE**  
Notes to Financial Statements  
June 30, 2016  
(Continued)

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

**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.

**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, 2015, from which the summarized information was derived.

**SITIKE**  
Notes to Financial Statements  
June 30, 2016  
(Continued)

**3. Concentration of Credit Risk**

Sitike maintains cash balances at three financial institutions. Accounts at these institutions are insured up to \$250,000. At June 30, 2016, Sitike had no uninsured cash balances.

Contracts with the County of San Mateo accounted for 61% of Sitike's revenues and support for the fiscal year ended June 30, 2016 and 93% of its accounts receivable at June 30, 2016.

**4. Certificate of Deposit**

Sterling Bank and Trust, \$101,333, 1 year certificate of deposit, earning interest at 0.50%, matured July 2016. The certificate was renewed at maturity with a new due date of July 2017.

**5. Property and Equipment**

Furniture and Equipment	\$ 53,529
Leasehold Improvements	<u>168,244</u>
	221,773
Less Accumulated Depreciation	<u>(220,500)</u>
Property and Equipment – Net	\$ <u>1,273</u>

Depreciation expense for the year ended June 30, 2016 was \$382.

**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, 2016.

**SITIKE**  
Notes to Financial Statements  
June 30, 2016  
(Continued)

**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, 2016, rent paid under the operating lease was \$4,031. Future minimum lease commitments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 4,267
2018	4,267
2019	<u>2,134</u>
Total	\$ <u>10,668</u>

The lease on the real property is currently on a yearly basis. For the year ended June 30, 2016, 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. Subsequent Events**

Management has evaluated subsequent events through October 12, 2016, the date which the financial statements were available to be issued, and determined that no reportable subsequent events occurred.



CERTIFIED PUBLIC ACCOUNTANTS

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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 nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2016, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related Notes to Financial Statements, and have issued our report thereon dated October 12, 2016.

**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 Sitike'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)**

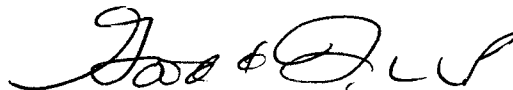
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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  
October 12, 2016