

ALUM ROCK COUNSELING CENTER, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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16360 Monterey Rd., Suite 170
Morgan Hill, CA 95037
Tel: (408) 779-3313
Fax: (408) 776-1555

4040 Moorpark Ave., Suite 230
San Jose., Ca 95117
Tel: (408) 557-9890
Fax: (408) 557-9893

INDEPENDENT AUDITOR'S COMBINED REPORT ON THE BASIC FINANCIAL STATEMENTS AND THE SCHEDULE OF FEDERAL, STATE AND LOCAL FINANCIAL ASSISTANCE

To the Board of Directors
Alum Rock Counseling Center, Inc.
San Jose, California

We have audited the accompanying statements of financial position of Alum Rock Counseling Center, Inc. (a non-profit organization) as of June 30, 2012 and June 30, 2011, the related statements of cash flows for the years then ended, and the related statements of activities and functional expenses for the year ended June 30, 2012. These financial statements are the responsibility of Alum Rock Counseling Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the organization's June 30, 2011 financial statements and, in our report dated September 16, 2011 we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 audits provide 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 Alum Rock Counseling Center, Inc. as of June 30, 2012 and June 30, 2011, the changes in its cash flows for the fiscal years then ended, and the changes in its net assets for the fiscal year ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 7, 2012 on our consideration of Alum Rock Counseling Center, Inc.'s internal control over financial reporting and 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* and should be read in conjunction with this report in considering the results of our audits.

Our audits were made for the purpose of forming an opinion on the basic financial statements of Alum Rock Counseling Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal, state and local awards for the year ended June 30, 2012, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal, state and local awards is fairly stated in all material respects in relation to the financial statements as a whole.

Nichols, Rick + Co.

Nichols, Rick & Company, CPA's
September 7, 2012

ALUM ROCK COUNSELING CENTER, INC.
Statements of Financial Position
As of June 30, 2012 and June 30, 2011

	2012	2011
<u>ASSETS</u>		
Assets:		
Cash	\$ 627,030	\$ 698,184
Grants receivable	646,866	573,611
Unconditional promises to give:		
Pledges receivable, current	76,100	62,000
Prepaid expenses	48,133	50,756
Total current assets	1,398,129	1,384,551
Pledges receivable, net	-	5,500
Equipment, net	26,070	29,667
Deposits	13,347	13,242
TOTAL ASSETS	\$ 1,437,546	\$ 1,432,960
<u>LIABILITIES & NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 80,596	\$ 135,177
Deferred revenue	117,533	9,055
Accrued salaries and vacation	206,881	142,758
Total current liabilities	405,010	286,990
Total liabilities	405,010	286,990
Net assets:		
Unrestricted	982,536	1,065,970
Unrestricted, board designated	-	15,000
Temporarily restricted	50,000	65,000
Permanently restricted	-	-
Total net assets	1,032,536	1,145,970
TOTAL LIABILITIES & NET ASSETS	\$ 1,437,546	\$ 1,432,960

ALUM ROCK COUNSELING CENTER, INC.
Statement of Activities
For the Year ended June 30, 2012
with summarized financial information for the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>June 30, 2012 Totals</u>	<u>Comparative Summary Totals for the Year ended June 30, 2011</u>
SUPPORT & REVENUE					
Support received directly					
Contributions	\$ 29,040	\$	\$	\$ 29,040	\$ 36,177
Special events, net of direct expenses of \$15,439 & \$14,027	22,291			22,291	34,867
Foundations and grants	89,500			89,500	124,500
Support received indirectly					
United Way	1,811	50,000		51,811	51,779
Total Support	142,642	50,000	-	192,642	247,323
Revenue					
Government grants & fees	3,223,569			3,223,569	2,578,249
Interest income	265			265	423
Miscellaneous income	56			56	991
Fees for services	-			-	141
Total Revenue	3,223,890	-	-	3,223,890	2,579,804
Net assets released from restrictions	65,000	(65,000)		-	-
TOTAL SUPPORT & REVENUE	3,431,532	(15,000)	-	3,416,532	2,827,127
EXPENSES					
Program Services					
Counseling	1,388,159			1,388,159	998,331
Crisis	1,551,982			1,551,982	1,072,228
Prevention and Education	210,840			210,840	425,872
Total Program Services	3,150,981	-	-	3,150,981	2,496,431
Support Services					
Management & General	260,648			260,648	253,895
Fund Development	118,337			118,337	107,655
Total Support Services	378,985	-	-	378,985	361,550
TOTAL EXPENSES	3,529,966	-	-	3,529,966	2,857,981
Change in net assets from operations	(98,434)	(15,000)	-	(113,434)	(30,854)
Prior year contract modifications	-	-	-	-	(144,418)
Net assets at beginning of year	1,080,970	65,000		1,145,970	1,321,242
Net assets at end of year	<u>\$ 982,536</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 1,032,536</u>	<u>\$ 1,145,970</u>

ALUM ROCK COUNSELING CENTER, INC.
Statement of Functional Expenses
For the Year ended June 30, 2012
with summarized financial information for the year ended June 30, 2011

	PROGRAM SERVICES				Comparative Summary Totals for the Year ended June 30, 2011
	<u>Counseling</u>	<u>Crisis</u>	<u>Prevention and Education</u>	<u>June 30, 2012 Totals</u>	
Salaries	\$ 950,776	\$ 1,076,237	\$ 140,801	\$ 2,167,814	\$ 1,657,209
Benefits	70,540	77,148	12,196	159,884	130,516
Payroll taxes	83,233	94,793	12,661	190,687	145,393
Total salaries & related expenses	1,104,549	1,248,178	165,658	2,518,385	1,933,118
Professional fees	120,103	99,130	6,765	225,998	200,384
Supplies	17,725	24,571	10,864	53,160	64,116
Telephone	12,942	20,141	4,039	37,122	31,929
Postage & shipping	551	670	105	1,326	1,510
Occupancy	62,438	94,152	5,757	162,347	157,212
Printing	3,061	10,151	970	14,182	7,289
Travel & transportation	23,659	12,770	3,280	39,709	35,269
Conferences & field trips	2,494	2,771	5,938	11,203	20,461
Insurance	6,872	8,180	1,332	16,384	14,922
Equipment rent & maintenance	28,058	23,271	2,512	53,841	13,734
Training & miscellaneous	3,258	3,537	772	7,567	9,774
Bad debts	1,482	-	-	1,482	-
Total expenses before depreciation	1,387,192	1,547,522	207,992	3,142,706	2,489,718
Depreciation	967	4,460	2,848	8,275	6,713
TOTAL EXPENSES	<u>\$ 1,388,159</u>	<u>\$ 1,551,982</u>	<u>\$ 210,840</u>	<u>\$ 3,150,981</u>	<u>\$ 2,496,431</u>

ALUM ROCK COUNSELING CENTER, INC.
Statement of Functional Expenses
For the Year ended June 30, 2012
with summarized financial information for the year ended June 30, 2011

	TOTAL PROGRAM SERVICES	SUPPORT SERVICES			JUNE 30, 2012 PROGRAM & SUPPORT SERVICES TOTALS	Comparative Summary Totals for the Year ended June 30, 2011
		Mgmt & Gen'l	Fund Development	Total		
Salaries	\$ 2,167,814	\$ 174,531	\$ 70,651	\$ 245,182	\$ 2,412,996	\$ 1,872,592
Benefits	159,884	24,767	2,363	27,130	187,014	158,411
Payroll taxes	190,687	15,624	6,276	21,900	212,587	163,611
Total salaries & related expenses	2,518,385	214,922	79,290	294,212	2,812,597	2,194,614
Professional fees	225,998	13,338	25,677	39,015	265,013	236,723
Supplies	53,160	5,083	1,411	6,494	59,654	73,781
Telephone	37,122	1,902	986	2,888	40,010	33,780
Postage & shipping	1,326	170	660	830	2,156	3,115
Occupancy	162,347	11,054	4,475	15,529	177,876	173,907
Printing	14,182	545	3,747	4,292	18,474	14,827
Travel & transportation	39,709	1,346	54	1,400	41,109	37,106
Conferences & field trips	11,203	6,009	316	6,325	17,528	25,752
Insurance	16,384	1,258	331	1,589	17,973	18,619
Equipment rent & maintenance	53,841	1,770	1,028	2,798	56,639	14,987
Training & miscellaneous	7,567	2,970	139	3,109	10,676	21,209
Bad debts	1,482	178	-	178	1,660	2,487
Tax & license	-	103	-	103	103	444
Total expenses before depreciation	3,142,706	260,648	118,114	378,762	3,521,468	2,851,351
Depreciation	8,275	-	223	223	8,498	6,630
TOTAL EXPENSES	\$ 3,150,981	\$ 260,648	\$ 118,337	\$ 378,985	\$ 3,529,966	\$ 2,857,981

ALUM ROCK COUNSELING CENTER, INC.
Statements of Cash Flows
For the Years ended June 30, 2012 and June 30, 2011

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets from operations	\$ (113,434)	\$ (30,854)
Adjustments to reconcile increase (decrease) in net assets from operations to net cash provided (used) by operating activities:		
Depreciation	8,498	6,630
Cash effect of prior year contract modifications	-	(144,418)
Changes in assets & liabilities:		
(Increase) Decrease in receivables	(81,855)	(47,863)
(Increase) Decrease in prepaid expenses and deposits	2,517	(27,486)
Increase (Decrease) in payables and accrued expenses	9,542	(17,179)
Increase (Decrease) in deferred revenue	108,478	(31,503)
	(66,254)	(292,673)
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Acquisition of equipment	(4,900)	(23,156)
	(4,900)	(23,156)
Net cash used by investing activities		
Net cash used by financing activities	-	-
	(71,154)	(315,829)
Net increase (decrease) in cash		
Cash, beginning of year	698,184	1,014,013
Cash, end of year	\$ 627,030	\$ 698,184

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

ALUM ROCK COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. NATURE OF ORGANIZATION:

Alum Rock Counseling Center, Inc. (the Agency), is a public benefit, non-profit corporation incorporated in California in 1974. The Agency's **Mission** is to foster healthy communities by increasing family cohesiveness, school success and personal development through counseling, mentoring and life skills education among high-risk youth in Santa Clara County. The **Vision** is to ensure that the youth and families of Santa Clara County access support services to reach their full potential and are contributing members of their community. The Agency focuses on four **Areas of Impact**:

- Decrease at-risk and violent behaviors in youth and in the community
- Decrease system-dependent youth
- Sustain youth through elementary, middle and high school graduation and beyond
- Ensure all kids are kindergarten ready

Through staff, collaboration with other agencies, government grants, and with the assistance of public and private donations, the Agency offers a **Continuum of Care** that includes culturally and linguistically competent services including, all of which fall into one or more of the focus areas of Counseling, Crisis and/or Prevention and Education:

- **Children's Services (ages 0-5)** are offered through our **First 5** program with comprehensive in-home parent coaching and therapeutic services including; developmental screenings, assessments, referrals, parenting education and coaching, individual and family therapy.
- **Prevention & Early Intervention Services** target high-risk youth and their families to reduce and/or eliminate mental health issues inhibiting academic success and family wellness.
- **Ocala Middle School Mentoring & Support** empowers youth (ages 11-14), through group and one-on-one mentoring and practical life-skills training and practice, to avoid high-risk behaviors such as crime, substance abuse, adolescent pregnancy and truancy.
- **Mobile Crisis Response & Counseling** provides 24/7, face-to-face mobile crisis counseling as well as case management and aftercare services to youth and families who have been or are at-risk of being involved with the juvenile justice system.
- **Crisis Intervention Program for Youth** works in collaboration with law enforcement to prevent youth from becoming involved with or further penetrating the juvenile justice system offering a combination of support groups, individual counseling and home visitation.
- **Truancy Reduction Services**, a widespread, school-based program, promotes school achievement by addressing barriers to school attendance such as learning behaviors, family violence and socioeconomic stressors.
- **Counseling Internship Program** prepares tomorrow's mental health practitioners to better understand and support the special needs of the high-risk, disenfranchised populations we serve by providing diverse, holistic training opportunities at home, in schools and clinics – one-on-one and in group settings.
- **Competency Development Services** provides prevention and early intervention for first time offenders through individual counseling focusing on developing resiliency and competency skills.
- **Community Access for Prevention Activities** is a community-based prevention program with strategies designed to assist underserved families in preventing child abuse and neglect.
- **Post Crisis Intervention Program** is provided in collaboration with San Jose Police Department and the County Department of Mental Health and provides mental health response and support to clients experiencing a crisis.
- **Direct Referral Program** provides counseling and life skills education for first time offenders (ages 7-13).

ALUM ROCK COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The Agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Agency is required to present a statement of cash flows.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. In addition, pledges and unconditional promises to give are required to be reported as temporarily restricted support upon date of notification and are then released from restrictions upon satisfaction of the time or use requirement. If a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as unrestricted.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of six months or less without a material early termination penalty to be cash equivalents.

Depreciation

Fixed assets are reported at cost, or donated value, and are depreciated using the straight-line method over the estimated useful life of the asset, ranging from five to thirty years. The Agency's policy is to capitalize expenditures of this nature equal to or in excess of \$500 unless the grantor retains a reversionary interest in title. At June 30, 2012 and June 30, 2011, the cost and related accumulated depreciation for such assets is as follows:

	2012	2011
Building improvements	\$ 97,768	\$ 92,868
Vehicles	43,577	43,577
Furniture and equipment	13,637	13,637
	154,982	150,082
less: accumulated depreciation	128,912	120,415
Total	\$ 26,070	\$ 29,667

Depreciation expense charged for the years ended June 30, 2012 and 2011 was \$8,498 and \$6,630, respectively. In addition, for the year ended June 30, 2012, \$43,406 of equipment and furniture purchased with grant funds, normally capitalized, has been expensed due to the grantor retaining a reversionary interest in title.

Income Taxes

The Agency is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), from California income taxes under Section 23701(d) of the California Bank and Corporation Tax Law, and has been determined to be an organization that is not a private foundation. Management has determined the implementation of ASC 740-10-65 did not have a material impact on its financial statements. Tax years from 2008 through 2011 remain open for review by the appropriate regulatory authorities.

Accounts Receivable

Accounts receivable are written off when they are deemed uncollectible. This method is not in accordance with generally accepted accounting principles, however, the Agency's experience with collections, combined with a historical bad debt rate of less than 1% of revenues, indicates that the direct write off method approximates the allowance method. Bad debts charged for the years ended June 30, 2012 and June 30, 2011 totaled \$1,660 and \$2,487, respectively.

ALUM ROCK COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES: (continued)

Special Events

Special events are presented net of direct expenses.

Revenue Recognition, Grants Receivable, and Grants Payable

The Agency receives cost reimbursement contract revenue as well as fixed rate contract revenue. Revenue is recognized when the corresponding service has been provided according to the agreement, subject to the contract limit, if any. Under fixed rate contracts, the Agency agrees to provide certain services in specified quantities at a prescribed rate per unit of service provided. Certain contracts have provisions for annual settlements to provide for recovery of costs for service capacity required to be provided, but not utilized, and for repayment of amounts billed in excess of contract limits. Estimated settlements are accrued by the Agency as a grant receivable or grant payable for contracts for which cost reports have not been finalized. The carrying amounts for grants receivable and payable reported in the statements of financial position approximate fair values as all amounts are expected to be received or paid within one year.

Expenses

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

Accrued Compensation

All full-time and eligible part-time employees accrue up to six weeks of paid time off per year, depending upon length of employment. No more than two year's worth of paid time off may be accrued by any employee without the approval of the Executive Director.

Donations

All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated value at date of notification. No amounts have been recorded as contributed services, materials, or equipment for the years ended June 30, 2012 and June 30, 2011.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Information

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 the Agency's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Legacies and Bequests

Legacies and bequests are received by the Agency under various wills and trust agreements. The amounts are recorded when legally validated.

ALUM ROCK COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

3. GRANTS AND PLEDGES RECEIVABLE:

The carrying amounts for grants receivable reported in the statements of financial position approximate fair values as all amounts are due within ninety days. Estimated annual collections on pledges receivable, net of discount, are as follows:

Year Ending June 30, 2013	Amount
	\$ 76,100

4. EQUIPMENT LEASE COMMITMENTS:

The Agency is obligated under three noncancellable operating leases for office equipment, which expire through 2017. Monthly payments are \$903 and the total expense incurred from these leases for the years ended June 30, 2012 and June 30, 2011 was \$7,616 and \$9,310, respectively. The future minimum lease commitment for the equipment leases outlined above is as follows:

Year Ending June 30, 2013-2016 2017	Amount
	\$ 10,836
	5,818

5. FACILITY LEASE COMMITMENTS:

The Agency leases its current administrative and program facilities under two noncancellable leases expiring through April 2013, at the approximate combined rate of \$13,795 per month with annual increases. Total rent expense incurred from all leases during the years ended June 30, 2012 and June 30, 2011 was \$163,116 and \$157,518, respectively. The future minimum lease commitment for the facility leases outlined above is as follows:

Year Ending June 30, 2013	Amount
	\$ 148,518

6. RETIREMENT PLAN:

The Agency maintains a tax deferred 403(b) defined contribution salary reduction retirement plan to provide retirement benefits for all employees that allows for up to a 3% match of employee salary reduction contributions. For the years ended June 30, 2012 and June 30, 2011, a total of \$8,702 and \$16,032, was charged to operations under this plan.

7. RESTRICTED NET ASSETS:

As of June 30, 2012 and June 30, 2011, the Agency's donor restricted funds consisted of the following:

Temporary restrictions:	2012	2011
Use-Cisco Foundation	\$ -	\$ 15,000
Time-United Way 2013 and 2012 fundings	50,000	50,000
	\$ 50,000	\$ 65,000

The Board of Directors had designated \$15,000 for the purpose of staff training related to the Agency's Medi-Cal certification process, and released this designation during the year ended June 30, 2012.

ALUM ROCK COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

8. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the expiration of the time requirement as follows:

Temporary restrictions:

	<u>2012</u>	<u>2011</u>
Use-Cisco Foundations	\$ 15,000	\$ 15,000
Time-United Way	<u>50,000</u>	<u>50,000</u>
	<u>\$ 65,000</u>	<u>\$ 65,000</u>

9. CONCENTRATIONS AND CONTINGENCIES:

At times during the fiscal years ended June 30, 2012 and June 30, 2011, the Agency maintained cash balances in excess of Federal insured levels at two financial institutions. The Agency, during the normal course of operating its business, may be subject to various lawsuits, licensing reviews, and government audits. Management believes that losses resulting from these matters, if any, would either be covered under the Agency's insurance policy or is immeasurable. Management further believes the losses, if any, would not have a material effect on the financial position of the Agency. In addition, approximately 76% of the Agency's operating revenue base is derived from its three largest government contract and grants.

10. PRIOR YEAR CONTRACT MODIFICATIONS:

During the year ended June 30, 2011, the Agency was notified by Santa Clara County of modifications to prior year contract earnings calculations. The effect of these modifications, \$144,418, is shown as a decrease in unrestricted net assets on the statement of activities.

11. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 7, 2012, the date on which the financial statements were available to be issued.

ALUM ROCK COUNSELING CENTER, INC.
Schedule of Expenditures of Federal, State and Local Awards
For the Year ended June 30, 2012

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Receipts/ Revenue Recognized</u>	<u>Disbursements/ Expenditures Incurred</u>
<u>Non-Major Programs</u>				
Department of Housing and Urban Development passed through City of Milpitas				
Contract 11-12	14.218	\$ 5,000	\$ 5,000	\$ 5,000
Total federal financial assistance		5,000	5,000	5,000
<u>State & Local Government Assistance</u>				
City of San Jose, BEST, Youth Truancy and CIPY, #643975		151,205	147,285	147,285
County of Santa Clara, Post Crisis Intervention, #4300007499		560,296	441,480	441,480
County of Santa Clara, Therapeutic Services, #4300007808		440,648	226,140	226,140
County of Santa Clara, Home Visitation, #4300007808		1,129,084	822,057	822,057
County of Santa Clara, DMH Status Offender Services, #4300007807		1,138,229	1,126,815	1,126,815
County of Santa Clara--MHSA EHR, #4300008203		95,751	33,676	33,676
County of Santa Clara, CAPA, #4300007557		65,956	64,727	64,727
County of Santa Clara, CAPA GF, #4300007375		33,750	28,638	28,638
County of Santa Clara, Restorative Justice, passed through Community Solutions, #4300004112		366,252	327,751	327,751
Total state and local governmental assistance		<u>3,981,171</u>	<u>3,218,569</u>	<u>3,218,569</u>
GRAND TOTALS		<u>\$ 3,986,171</u>	<u>\$ 3,223,569</u>	<u>\$ 3,223,569</u>

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Alum Rock Counseling Center, Inc.
San Jose, California

We have audited the financial statements of Alum Rock Counseling Center, Inc. (a non-profit organization) as of and for the year ended June 30, 2012 and have issued our report thereon dated September xx, 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 Alum Rock Counseling Center, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Alum Rock Counseling Center, Inc.'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 Alum Rock Counseling Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alum Rock Counseling Center, Inc.'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 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 purposed described earlier in this paragraph and was not designed to identify all deficiencies in internal control 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alum Rock Counseling Center, Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of the management, board of directors, others within the organization, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nichols, Rick & Co.

Nichols, Rick & Company, CPA's
September xx, 2012

ALUM ROCK COUNSELING CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

A. Summary of Auditor's Results

I. Financial Statements

1. The independent auditor's report on the financial statements of Alum Rock Counseling Center, Inc. expressed an unqualified opinion.
2. No significant deficiencies were disclosed in the audit of the financial statements.

II. Federal Awards

1. Internal Controls over Major Programs:

- a. Alum Rock Counseling Center, Inc. does not have any major Federal awards as defined under OMB Circular A-133.
2. The auditor's report on compliance for the major Federal awards programs for Alum Rock Counseling Center, Inc. is not applicable.
3. The schedule of expenditures of Federal awards is reported on the accrual basis of accounting in conformity with generally accepted accounting principles as described in the notes to the financial statements.
4. The dollar threshold used to distinguish between Type A and Type B programs is not applicable.
5. Alum Rock Counseling Center, Inc. qualification as a low risk auditee under OMB Circular A-133, Section 530 is not applicable.
6. The testing of major programs is not applicable.

B. Findings and Questioned Costs

Current year: None

Prior year: None