

ALUM ROCK COUNSELING CENTER, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Alum Rock Counseling Center, Inc. (a California non-profit organization), which comprise the statements of financial position as of June 30, 2013 and June 30, 2012, the related statements of cash flows for the years then ended, the related statements of activities and functional expenses for the year ended June 30, 2013, 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 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 misstatements 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 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 statement. 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 Alum Rock Counseling Center, Inc. as of June 30, 2013 and June 30, 2012, the changes in its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matters-Supplementary Information

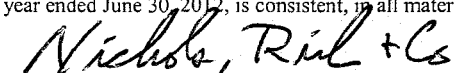
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, state, and local awards for the year ended June 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2013 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* in considering Alum Rock Counseling Center, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Alum Rock Counseling Center, Inc.'s June 30, 2012 financial statements, and our report dated September 7, 2012, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Nichols, Rick & Company, CPA's
Morgan Hill, CA
September 11, 2013

ALUM ROCK COUNSELING CENTER, INC.
Statements of Financial Position
As of June 30, 2013 and June 30, 2012

	2013	2012
<u>ASSETS</u>		
Assets:		
Cash	\$ 409,266	\$ 627,030
Grants receivable	1,182,020	646,866
Unconditional promises to give:		
Pledges receivable, current	4,175	76,100
Prepaid expenses	80,276	48,133
Total current assets	1,675,737	1,398,129
Equipment, net	16,161	26,070
Deposits	22,097	13,347
TOTAL ASSETS	\$ 1,713,995	\$ 1,437,546

<u>LIABILITIES & NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 132,202	\$ 80,596
Deferred revenue	116,222	117,533
Line of credit	140,000	-
Accrued salaries and vacation	359,407	206,881
Total current liabilities	747,831	405,010
Total liabilities	747,831	405,010
Net assets:		
Unrestricted	951,164	982,536
Unrestricted, board designated	-	-
Temporarily restricted	15,000	50,000
Permanently restricted	-	-
Total net assets	966,164	1,032,536
TOTAL LIABILITIES & NET ASSETS	\$ 1,713,995	\$ 1,437,546

ALUM ROCK COUNSELING CENTER, INC.
Statement of Activities
For the Year ended June 30, 2013
with summarized financial information for the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>June 30, 2013 Totals</u>	<u>Comparative Summary Totals for the Year ended June 30, 2012</u>
SUPPORT & REVENUE					
Support received directly					
Contributions	\$ 14,675	\$	\$	\$ 14,675	\$ 29,040
Special events, net of direct expenses of \$12,477 & \$15,439	34,036			34,036	22,291
Foundations and grants	112,625	15,000		127,625	89,500
Support received indirectly					
United Way	1,989			1,989	51,811
Total Support	163,325	15,000	-	178,325	192,642
Revenue					
Government grants & fees	5,404,260			5,404,260	3,223,569
Interest income	210			210	265
Miscellaneous income	55			55	56
Total Revenue	5,404,525	-	-	5,404,525	3,223,890
Net assets released from restrictions	50,000	(50,000)		-	-
TOTAL SUPPORT & REVENUE	5,617,850	(35,000)	-	5,582,850	3,416,532
EXPENSES					
Program Services					
Counseling	1,967,446			1,967,446	1,388,159
Crisis	1,646,388			1,646,388	1,551,982
Prevention and Education	1,574,099			1,574,099	210,840
Total Program Services	5,187,933	-	-	5,187,933	3,150,981
Support Services					
Management & General	331,691			331,691	260,648
Fund Development	129,598			129,598	118,337
Total Support Services	461,289	-	-	461,289	378,985
TOTAL EXPENSES	5,649,222	-	-	5,649,222	3,529,966
Change in net assets from operations	(31,372)	(35,000)	-	(66,372)	(113,434)
Net assets at beginning of year	982,536	50,000		1,032,536	1,145,970
Net assets at end of year	<u>\$ 951,164</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 966,164</u>	<u>\$ 1,032,536</u>

ALUM ROCK COUNSELING CENTER, INC.
Statement of Functional Expenses
For the Year ended June 30, 2013
with summarized financial information for the year ended June 30, 2012

	PROGRAM SERVICES				Comparative Summary Totals for the Year ended June 30, 2012
	<u>Counseling</u>	<u>Crisis</u>	<u>Prevention and Education</u>	<u>June 30, 2013 Totals</u>	
Salaries	\$ 1,295,640	\$ 1,238,024	\$ 1,063,529	\$ 3,597,193	\$ 2,167,814
Benefits	104,132	119,987	83,428	307,547	159,884
Payroll taxes	113,171	109,179	92,846	315,196	190,687
Total salaries & related expenses	1,512,943	1,467,190	1,239,803	4,219,936	2,518,385
Professional fees	220,276	17,658	145,337	383,271	225,998
Supplies	35,733	13,421	42,448	91,602	53,160
Telephone	14,637	24,819	16,091	55,547	37,122
Postage & shipping	480	503	606	1,589	1,326
Occupancy	89,366	79,128	58,782	227,276	162,347
Printing	2,453	3,694	3,845	9,992	14,182
Travel & transportation	31,293	10,482	19,056	60,831	39,709
Conferences & field trips	4,399	2,870	9,289	16,558	11,203
Insurance	5,536	4,856	4,846	15,238	16,384
Equipment rent & maintenance	43,033	10,828	5,257	59,118	53,841
Training & miscellaneous	4,746	4,348	27,778	36,872	7,567
Bad debts	194	-	-	194	1,482
Total expenses before depreciation	1,965,089	1,639,797	1,573,138	5,178,024	3,142,706
Depreciation	2,357	6,591	961	9,909	8,275
TOTAL EXPENSES	<u>\$ 1,967,446</u>	<u>\$ 1,646,388</u>	<u>\$ 1,574,099</u>	<u>\$ 5,187,933</u>	<u>\$ 3,150,981</u>

ALUM ROCK COUNSELING CENTER, INC.
Statement of Functional Expenses
For the Year ended June 30, 2013
with summarized financial information for the year ended June 30, 2012

	TOTAL PROGRAM SERVICES	SUPPORT SERVICES			JUNE 30, 2013 PROGRAM & SUPPORT SERVICES TOTALS	Comparative Summary Totals for the Year ended June 30, 2012
		Mgmt & Gen'l	Fund Development	Total		
Salaries	\$ 3,597,193	\$ 216,134	\$ 91,206	\$ 307,340	\$ 3,904,533	\$ 2,412,996
Benefits	307,547	38,627	8,677	47,304	354,851	187,014
Payroll taxes	315,196	19,292	7,802	27,094	342,290	212,587
Total salaries & related expenses	4,219,936	274,053	107,685	381,738	4,601,674	2,812,597
Professional fees	383,271	16,298	10,587	26,885	410,156	265,013
Supplies	91,602	4,537	4,018	8,555	100,157	59,654
Telephone	55,547	1,986	936	2,922	58,469	40,010
Postage & shipping	1,589	135	21	156	1,745	2,156
Occupancy	227,276	12,992	3,151	16,143	243,419	177,876
Printing	9,992	1,973	1,390	3,363	13,355	18,474
Travel & transportation	60,831	1,657	393	2,050	62,881	41,109
Conferences & field trips	16,558	9,885	-	9,885	26,443	17,528
Insurance	15,238	1,091	243	1,334	16,572	17,973
Equipment rent & maintenance	59,118	1,406	84	1,490	60,608	56,639
Training & miscellaneous	36,872	3,795	1,090	4,885	41,757	10,676
Bad debts	194	-	-	-	194	1,660
Tax, interest & license	-	1,883	-	1,883	1,883	103
Total expenses before depreciation	5,178,024	331,691	129,598	461,289	5,639,313	3,521,468
Depreciation	9,909	-	-	-	9,909	8,498
TOTAL EXPENSES	\$ 5,187,933	\$ 331,691	\$ 129,598	\$ 461,289	\$ 5,649,222	\$ 3,529,966

ALUM ROCK COUNSELING CENTER, INC.
Statements of Cash Flows
For the Years ended June 30, 2013 and June 30, 2012

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets from operations	\$ (66,372)	\$ (113,434)
Adjustments to reconcile increase (decrease) in net assets from operations to net cash provided (used) by operating activities:		
Depreciation	9,909	8,498
Changes in assets & liabilities:		
(Increase) Decrease in receivables	(463,229)	(81,855)
(Increase) Decrease in prepaid expenses and deposits	(40,893)	2,517
Increase (Decrease) in payables and accrued expenses	204,132	9,542
Increase (Decrease) in deferred revenue	(1,311)	108,478
	(357,764)	(66,254)
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Acquisition of equipment	-	(4,900)
	-	(4,900)
Net cash used by investing activities		
Cash flows from financing activities		
Advances on line of credit	140,000	-
	140,000	-
Net cash provided by financing activities		
Net increase (decrease) in cash	(217,764)	(71,154)
Cash, beginning of year	627,030	698,184
Cash, end of year	\$ 409,266	\$ 627,030

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Interest	\$ 1,860	\$ -
Income taxes	\$ -	\$ -

ALUM ROCK COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

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, 2013 and June 30, 2012, the cost and related accumulated depreciation for such assets is as follows:

	2013	2012
Building improvements	\$ 97,768	\$ 97,768
Vehicles	43,577	43,577
Furniture and equipment	<u>13,637</u>	<u>13,637</u>
	154,982	154,982
less: accumulated depreciation	<u>138,821</u>	<u>128,912</u>
Total	<u>\$ 16,161</u>	<u>\$ 26,070</u>

Depreciation expense charged for the years ended June 30, 2013 and 2012 was \$9,909 and \$8,498, respectively. In addition, for the years ended June 30, 2013 and June 30, 2012, \$36,231 and \$43,406, respectively, 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 2009 through 2012 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, 2013 and June 30, 2012 totaled \$194 and \$1,660, respectively.

ALUM ROCK COUNSELING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. SUMMARY OF 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, 2013 and June 30, 2012.

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, 2012, 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, 2013

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,	Amount
2014	\$ 4,175

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, 2013 and June 30, 2012 was \$10,836 and \$7,616, respectively. The future minimum lease commitment for the equipment leases outlined above is as follows:

Year Ending June 30,	Amount
2014-2016	\$ 10,836
2017	5,818

5. FACILITY LEASE COMMITMENTS:

The Agency leases its current administrative and program facilities under two noncancellable leases expiring through October 2015, at the approximate combined rate of \$21,935 per month with annual increases. Total rent expense incurred from all leases during the years ended June 30, 2013 and June 30, 2012 was \$229,969 and \$163,116, respectively. The future minimum lease commitment for the facility leases outlined above is as follows:

Year Ending June 30,	Amount
2014	\$ 250,007
2015	178,696
2016	68,409

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, 2013 and June 30, 2012, a total of \$16,402 and \$8,702, was charged to operations under this plan.

7. RESTRICTED NET ASSETS:

As of June 30, 2013 and June 30, 2012, the Agency's donor restricted funds consisted of the following:

Temporary restrictions:

	2013	2012
Use	\$ 15,000	\$ -
Time-United Way 2013 funding	-	50,000
	\$ 15,000	\$ 50,000

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, 2013

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:

	2013	2012
Use-Cisco Foundations	\$ -	\$ 15,000
Time-United Way	50,000	50,000
	\$ 50,000	\$ 65,000

9. CONCENTRATIONS AND CONTINGENCIES:

At times during the fiscal years ended June 30, 2013 and June 30, 2012, the Agency maintained cash balances in excess of Federal insured levels at one financial institution. 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 75% of the Agency's operating revenue base is derived from its three largest government contract and grants.

10. LINE OF CREDIT:

The Agency has in place a \$250,000 line of credit with Comerica Bank. The facility carries an interest rate of 2% over the prime rate and is secured by all of the Agency's personal property. As of June 30, 2013, the balance owing on the line of credit was \$140,000 and the interest rate charged was 5.25%.

11. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 11, 2013, 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, 2013

<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 12-13	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, Mentoring, and CIPY, #643975		196,205	187,661	187,661
County of Santa Clara--MHSA, Adult and Older Adult, #4300008627		535,694	469,502	469,502
County of Santa Clara, Short Doyle F & C, #4300008630		1,233,299	1,192,672	1,192,672
County of Santa Clara, SSA School Link, #4300008885		45,000	45,000	45,000
County of Santa Clara, CAPA GF, #430008490		8,438	8,438	8,438
County of Santa Clara, First 5 Home Visitation, #4300008629		1,597,203	1,450,942	1,450,942
County of Santa Clara, CAPA, #4300008296		100,000	99,983	99,983
County of Santa Clara, Probation Dept, Proud Parenting, #1000462		67,045	43,707	43,707
County of Santa Clara--MHSA PEI, #4300009021		1,458,770	1,458,770	1,458,770
County of Santa Clara--MHSA EHR, #4300008799		161,324	100,522	100,522
County of Santa Clara, Competency Development, passed through Community Solutions, #4300008267		201,466	193,581	193,581
County of Santa Clara, Direct Referral Program, passed through Community Solutions, #4300008277		163,098	148,482	148,482
Total state and local governmental assistance		<u>5,767,542</u>	<u>5,399,260</u>	<u>5,399,260</u>
GRAND TOTALS		<u>\$ 5,772,542</u>	<u>\$ 5,404,260</u>	<u>\$ 5,404,260</u>

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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 of
Alum Rock Counseling Center, Inc.
San Jose, California

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 Alum Rock Counseling Center, Inc. (a California non-profit organization), which comprise the statement of financial position as of June 30, 2013, the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2013.

Internal Control over Financial Reporting

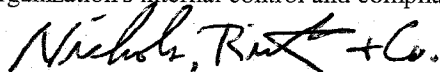
In planning and performing our audit, we considered Alum Rock Counseling Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alum Rock Counseling Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Alum Rock Counseling Center, Inc.'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 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. Our consideration of internal control was for the limited purpose described earlier in this paragraph 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 Alum Rock Counseling Center, Inc.'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.



Nichols, Rick & Company, CPA's
Morgan Hill, CA
September 11, 2013

ALUM ROCK COUNSELING CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

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, state and local 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