



*Reports of Independent Auditors and
Financial Statements with
Supplementary Information*

**The Asian Americans for Community
Involvement of Santa Clara County, Inc.**

June 30, 2019 and 2018

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Report of Independent Auditors

The Board of Directors
The Asian Americans for Community Involvement of Santa Clara County, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Asian Americans for Community Involvement of Santa Clara County, Inc. (the "Organization"), a California non-profit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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 Organization'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 Organization'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 The Asian Americans for Community Involvement of Santa Clara County, Inc., as of June 30, 2019, and the related 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to the matter.

Also, as discussed in Note 2 to the financial statements, the Organization adopted FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU has been applied using the modified retrospective method applied to all contracts. Our opinion is not modified with respect to this matter.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), is presented for purposes of additional analysis and is not a required part of the 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.

Report on Summarized Comparative Information

We have previously audited The Asian Americans for Community Involvement of Santa Clara County, Inc.’s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 23, 2019, on our consideration of The Asian Americans for Community Involvement of Santa Clara County, Inc.'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 solely 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 the effectiveness of The Asian Americans for Community Involvement of Santa Clara County, Inc.'s 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 The Asian Americans for Community Involvement of Santa Clara County, Inc.'s internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
October 23, 2019

Financial Statements

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Statements of Financial Position
June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,388,367	\$ 6,888,924
Grants receivable, net - current	2,493,505	1,793,274
Patient accounts receivable, net	54,372	52,199
Other receivables	61,731	78,906
Prepaid expenses	123,474	121,892
Total current assets	<u>10,121,449</u>	<u>8,935,195</u>
Property, buildings, and equipment, net of accumulated depreciation	5,597,054	5,210,920
Deposits	<u>20,326</u>	<u>21,163</u>
Total assets	<u><u>\$ 15,738,829</u></u>	<u><u>\$ 14,167,278</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 303,230	\$ 274,654
Accrued expenses	2,748,322	1,838,319
Deferred revenue	383,554	294,124
Current portion of capital lease	21,135	19,757
Current portion of long-term debt	121,065	117,444
Total current liabilities	<u>3,577,306</u>	<u>2,544,298</u>
Capital lease, less current portion	24,560	45,695
Long-term debt, less current portion	<u>2,243,965</u>	<u>2,279,952</u>
Total liabilities	<u>5,845,831</u>	<u>4,869,945</u>
Net assets		
Without donor restriction		
Undesignated	6,875,767	6,269,973
Board designated	<u>3,014,599</u>	<u>3,014,599</u>
Total unrestricted net assets	9,890,366	9,284,572
With donor restriction	<u>2,632</u>	<u>12,761</u>
Total net assets	<u>9,892,998</u>	<u>9,297,333</u>
Total liabilities and net assets	<u><u>\$ 15,738,829</u></u>	<u><u>\$ 14,167,278</u></u>

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019
(With Summarized Comparative Totals for the Year Ended June 30, 2018)**

	2019			2018
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Total
SUPPORT AND REVENUES				
Support				
Contracts and grants	\$ 9,903,691	\$ -	\$ 9,903,691	\$ 9,805,809
Contributions	956,631	-	956,631	1,285,647
Special events	264,921	-	264,921	158,583
Total support	<u>11,125,243</u>	<u>-</u>	<u>11,125,243</u>	<u>11,250,039</u>
Revenues				
Patient service revenue, net	1,633,497	-	1,633,497	2,092,548
Building rental income	2,439,439	-	2,439,439	2,393,408
Investment income, net	86,056	-	86,056	41,759
Other revenue	144,281	-	144,281	67,973
Net assets released from restrictions	10,129	(10,129)	-	-
Total support and revenues	<u>15,438,645</u>	<u>(10,129)</u>	<u>15,428,516</u>	<u>15,845,727</u>
EXPENSES				
Program services	11,058,269	-	11,058,269	11,075,194
Supporting services				
Management and general	2,383,857	-	2,383,857	2,727,220
Total supporting services	2,383,857	-	2,383,857	2,727,220
Building expenses	1,390,725	-	1,390,725	1,453,693
Total expenses	<u>14,832,851</u>	<u>-</u>	<u>14,832,851</u>	<u>15,256,107</u>
CHANGE IN NET ASSETS	605,794	(10,129)	595,665	589,620
NET ASSETS, beginning of year	<u>9,284,572</u>	<u>12,761</u>	<u>9,297,333</u>	<u>8,707,713</u>
NET ASSETS, end of year	<u>\$ 9,890,366</u>	<u>\$ 2,632</u>	<u>\$ 9,892,998</u>	<u>\$ 9,297,333</u>

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Statements of Functional Expenses
Year Ended June 30, 2019**

	Program Services				Support Services	Building	Total
	Physical Health	Behavioral Health	Wellness and Others	Total	Management and General		
Expenses							
Personnel expenses	\$ 2,074,918	\$ 4,986,743	\$ 1,029,873	\$ 8,091,534	\$ 1,884,130	\$ 335,003	\$ 10,310,667
Rents and leases	71,913	246,860	36,348	355,121	17,755	-	372,876
Medical supplies	59,331	116	1,474	60,921	100	-	61,021
Professional fees	422,577	316,666	59,240	798,483	68,910	67,653	935,046
Office supplies	33,839	90,272	31,967	156,078	127,468	37,302	320,848
Depreciation	204,642	67,959	10,263	282,864	31,644	324,042	638,550
Insurance	13,683	2,970	813	17,466	7,037	93,038	117,541
Membership fees and publications	14,501	20,897	923	36,321	63,300	2,217	101,838
Utilities and communication	18,243	80,134	14,200	112,577	7,092	420,300	539,969
Repairs and maintenance	23,939	61,602	9,831	95,372	24,043	552,189	671,604
Meetings and trainings	14,347	27,224	20,520	62,091	104,369	-	166,460
Interest	-	-	-	-	-	101,623	101,623
Travel	2,659	44,889	60,702	108,250	49,117	1,476	158,843
Property taxes	19	2,507	23	2,549	207	23,912	26,668
Other	71,004	204,601	50,668	326,273	(131,039)	114,063	309,297
Total functional expenses before allocations	3,025,615	6,153,440	1,326,845	10,505,900	2,254,133	2,072,818	14,832,851
Building expenses - allocated	246,773	157,707	147,889	552,369	129,724	(682,093)	-
Total functional expenses	\$ 3,272,388	\$ 6,311,147	\$ 1,474,734	\$ 11,058,269	\$ 2,383,857	\$ 1,390,725	\$ 14,832,851
Percentage of total	22.1%	42.5%	9.9%	74.6%	16.1%	9.4%	100.0%

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Statements of Functional Expenses
Year Ended June 30, 2018**

	Program Services				Support Services		Total
	Physical Health	Behavioral Health	Wellness and Others	Total	Management and General	Building	
Expenses							
Personnel expenses	\$ 2,423,454	\$ 4,776,192	\$ 1,331,498	\$ 8,531,144	\$ 1,961,494	\$ 371,303	\$ 10,863,941
Rents and leases	82,160	190,355	54,544	327,059	47,452	9,139	383,650
Medical supplies	41,738	13	7,293	49,044	1,130	118	50,292
Professional fees	197,972	338,855	107,480	644,307	91,853	151,000	887,160
Office supplies	21,313	90,965	59,361	171,639	87,555	48,134	307,328
Depreciation	170,683	67,793	15,098	253,574	51,927	282,532	588,033
Insurance	16,809	7,431	2,102	26,342	15,339	41,067	82,748
Membership fees and publications	18,310	18,679	1,247	38,236	66,439	2,062	106,737
Utilities and communication	22,656	76,618	27,503	126,777	13,050	426,215	566,042
Repairs and maintenance	4,320	38,414	1,580	44,314	36,976	517,109	598,399
Meetings and trainings	11,188	16,774	26,004	53,966	118,118	3,462	175,546
Interest	-	-	-	-	-	107,238	107,238
Travel	3,913	57,712	70,255	131,880	56,638	1,549	190,067
Property taxes	-	2,677	-	2,677	586	21,503	24,766
Other	59,984	139,718	42,827	242,529	(37,047)	118,678	324,160
Total functional expenses before allocations	3,074,500	5,822,196	1,746,792	10,643,488	2,511,510	2,101,109	15,256,107
Building expenses - allocated	173,050	124,878	133,778	431,706	215,710	(647,416)	-
Total functional expenses	\$ 3,247,550	\$ 5,947,074	\$ 1,880,570	\$ 11,075,194	\$ 2,727,220	\$ 1,453,693	\$ 15,256,107
Percentage of total	21.3%	39.0%	12.3%	72.6%	17.9%	9.5%	100.0%

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 595,665	\$ 589,620
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	638,550	588,033
Amortization	83,531	83,530
Loss on disposal of assets	-	18,383
Change in operating assets and liabilities		
Patient accounts receivable, net	(2,173)	23,630
Grants receivable, net	(700,231)	163,684
Other receivables	17,175	(51,508)
Prepaid expenses	(1,582)	49,214
Deposits	837	(3,337)
Accounts payable	28,576	11,455
Accrued expenses	910,002	767,201
Deferred revenue	89,430	(8,958)
	<u>1,659,780</u>	<u>2,230,947</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, buildings, and equipment	<u>(1,024,684)</u>	<u>(494,388)</u>
	<u>(1,024,684)</u>	<u>(494,388)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on capital lease	(19,756)	(18,470)
Principal repayments on long-term debt	<u>(115,897)</u>	<u>(108,786)</u>
	<u>(135,653)</u>	<u>(127,256)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	499,443	1,609,303
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,888,924</u>	<u>5,279,621</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 7,388,367</u>	<u>\$ 6,888,924</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid for interest	<u>\$ 101,623</u>	<u>\$ 107,238</u>

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to Financial Statements

NOTE 1 – DESCRIPTION OF ORGANIZATION AND PROGRAM SERVICES

Organization – The Asian Americans for Community Involvement of Santa Clara County, Inc. (“AACI” or “Organization”), is a nonprofit public benefit California corporation created in November 1973.

AACI is one of the largest community-based organizations advocating for and serving the marginalized and vulnerable ethnic communities in Santa Clara County. The mission is to strengthen the hope and the resilience of its community members by improving their health, mental health and well-being.

The array of programs advances a belief in providing care that goes beyond just health, but also providing people a sense of hope and new possibilities. Current programs include behavioral and primary health services, substance abuse treatment, center for survivors of torture, shelter for domestic violence, senior center, youth programs, and community advocacy.

AACI's array of programs and services are described in more detail below:

Physical Health:

Health services – The Primary Care Health Center, a fully licensed Federally Qualified Health Center (“FQHC”), provides culturally competent primary health care services. The health center derives support through grants and contracts with the U.S. Department of Health and Human Services and the California Health and Human Services Agency. The health center treats patients regardless of their ability to pay.

Integrated behavioral health services – The Integrated Behavioral Health Program provides behavioral health services in AACI's primary care health center.

Patient Navigation Center – The Patient Navigation Center partners with local community colleges to train, hire and deploy older youth of color to help community members navigate the health care system. The Patient Navigation Center provides enabling services, including interpretation, appointment scheduling, referrals, and application help for social services, as well as after-hours and self-care assistance.

Behavioral Health:

Mental health services – Mental Health Counseling Services include individual, group, and family counseling; case management; psychiatric assessment; and medical evaluation for children and adults. The CalWORKs Program provides a range of behavioral health and social services that are geared toward helping CalWORKs' clients achieve self-sufficiency.

Center for Survivors of Torture – Center for Survivors of Torture (“CST”) provides holistic rehabilitative services for survivors of torture and refugees from all over the world. CST provides psychological, psychiatric, and extensive case management services to help survivors heal from their trauma and provides linkages to medical, legal, and community services. CST also educates survivors, and trains and educates medical, psychological, and social service providers about the effects of torture and trauma. CST conducts and contributes to research to add to the body of knowledge about effective interventions and the effects of torture on survivors and communities.

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to Financial Statements

Family and domestic violence services – The Domestic Violence Program (Asian Women’s Home) provides individual and group peer counseling, a 24-hour crisis hotline, housing and employment assistance, case management, legal advocacy support, and an emergency shelter for battered women and their children. This program further reaches out to the community by providing media outreach and educational training workshops for professionals, paraprofessionals, and community groups.

Wellness and Others:

Senior and health services – The Senior Wellness Program provides English classes, hot lunches, transportation assistance, recreational activities, and case management for seniors. The HOPE Program offers HIV/AIDS testing, education, counseling, and referrals for individuals.

Substance abuse services – The DUI Driving Program (“DDP”) provides education and intervention to convicted first time offenders and repeat offenders.

Youth services – The Youth Development Services Program provides homework assistance, health education, group discussions, development of social and leadership skills, recreational activities, and a multicultural curriculum that uses a strength-based model to build on the participants’ assets and prevent high-risk behavior.

Addiction recovery and education services – The Center for Addiction Recovery and Education (“CARE”) provides education, prevention, support, and treatment for affected problem gamblers and their significant others. CARE also includes substance abuse prevention programs focused on youth, as well as substance abuse prevention information and dissemination services.

Advocacy – The Advocacy Program provides a voice to the Asian community in Santa Clara County, advocates on issues of equality and social justice, builds relationships among local Asian groups and policymakers, and promotes civic engagement among Asians.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summarized financial 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 information to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements as of June 30, 2018.

Cash and cash equivalents – The Organization considers all liquid investments, other than certificates of deposits, with original maturities of three months or less, to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash balances and money market funds maintained at creditworthy financial institutions. The Organization maintained cash balances in bank accounts including certificates of deposit and money funds which, at times, may exceed insured limits set by the Federal Deposit Insurance Corporation (“FDIC”) and Securities Investors Protection Fund (“SIPC”) for funds held in securities accounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to Financial Statements

Patient accounts receivable, net – Patient accounts receivable are recorded at amounts that reflect the consideration to which the Organization expects to be entitled in exchange for providing patient care. In evaluating the collectability of patient accounts receivable, the Organization regularly analyzes its past history and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in patient accounts receivable.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides additional implicit and explicit price concessions, if necessary, based upon historical collection history for deductibles and copayments on accounts for which the third-party payor had not yet paid, or for remaining payor balances.

For receivables associated with private-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant implicit price concession in the period of services on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in patient accounts receivable.

Property, buildings, and equipment, net – Property, buildings, and equipment are recorded at cost or estimated fair value for donated items. The Organization capitalizes all acquisitions greater than \$5,000 and with an economic useful life greater than one year. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 39 years. Depreciation is charged to the activity benefiting from the use of the property or equipment. Donated assets are recorded at their fair market value at the time the contributed asset is received. The Organization periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset. No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Revenue recognition

Contracts and grants – Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Cash received in excess of revenue recognized is recorded as deferred revenue. During the years ended June 30, 2019 and 2018, approximately 70% and 64% of the Organization's support and revenue were derived from government contracts and grants, respectively. At June 30, 2019 and 2018, receivables from one government grantor represents 59% and 72% of grants receivable, respectively.

Contributions – Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as with donor restrictions, or without donor restrictions depending on the nature of donor restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to Financial Statements

The Organization reports gifts of cash and other assets as support with donor restrictions if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements. Absent donor-imposed restrictions, the Organization records donated services, materials, and facilities as support without donor restrictions. It is the policy of the Organization to encourage contributions.

Patient service revenue, net – Net patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC Topic 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's sliding fee policy, and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Effective with the adoption of FASB ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") on July 1, 2018, for changes in credit issues not assessed at the date of service, such as a payor files for bankruptcy or a patient defaults on a payment plan, the Organization recognizes these write-offs as bad debt expense, which is presented on the accompanying statements of activities and changes in net assets as a component of other expenses.

The Organization is approved as a FQHC for both Medicare and Medi-Cal reimbursement purposes. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to Financial Statements

Medicare – Covered FQHC services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Organization and audit thereof by the Medicare fiscal intermediary. Services not covered under the FQHC benefit are paid based on established fee schedules. Effective July 1, 2015, covered FQHC services rendered to Medicare program beneficiaries will be paid on a prospective payment system (PPS). Medicare payment under the FQHC PPS will be 80% of the lesser of the Organization's actual charge or the applicable PPS rate (patient coinsurance will be 20% of the lesser of the Organization's actual charge or the applicable PPS rate). Accordingly, to the extent the Organization's charge is below the applicable PPS rate, Medicare FQHC reimbursement will be limited.

Medi-Cal – Covered FQHC services rendered to Medi-Cal program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed a prospectively determined encounter rate for covered services provided.

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

Building rental income – Rental income is recognized according to the terms of the underlying leases. Rental revenue is recognized over the term of the related lease.

Sliding scale fee – The Organization provides care to patients, who meet certain criteria under its sliding scale fee policy, without charge or at amounts less than its established rates. The Organization does not pursue collection of amounts determined to qualify as sliding scale fee care and they are not reported as revenue.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the period. Accordingly, actual results could differ from those estimates.

Professional liability insurance – The Organization maintains its professional liability insurance. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Organization's claim experience, no such accrual has been made and there are no known claims or incidents that may result in the assertion of additional claims as of the date of this report. It is reasonably possible that this estimate could change materially in the near term.

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to Financial Statements

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor imposed stipulations. Investment earnings are recorded as net assets without donor restrictions for certain temporarily restricted funds in accordance with the Organization’s spending rule and for certain funds in accordance with donor stipulations. Net assets without donor restrictions also include those assets over which the Board of Directors (the “Board”) has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, property and equipment fund plus any net assets designated by the Board for specific purposes. The Board has designated reserves for operating shortfalls, capital expenditures and service expansion. These reserves are deposited in a financial institution in the form of cash, cash equivalents, and money market funds. At June 30, 2019 and 2018, the board designated net assets without donor restrictions were \$3,014,599.

Net assets with donor restrictions – Net assets subject to donor imposed stipulations that may, or will be met, either by actions of the Organization and/or the passage of time. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Net assets subject to donor imposed restrictions also represent cash and cash equivalents that are subject to gift instrument restrictions that require the principal to be invested in perpetuity.

Deferred revenue – Deferred revenue primarily consists of contracts and grants received in advance of revenue recognition to provide various programs and services. The Organization generally recognizes revenue when the revenue recognition criteria are met through performance of services as stipulated in the respective contracts and grants.

Fair value measurement – Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Notes to Financial Statements**

The following methods were used to estimate the fair value of all other financial instruments:

Cash and cash equivalents – The carrying amount approximates fair value.

Long-term debt – The fair value of long-term debt is estimated based on discounted cash flow analyses, based on the Organization's current incremental borrowing rates for similar types of borrowing arrangements. The debt instruments as of June 30, 2019 and 2018, materially approximate their carrying values (see Note 5).

Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximate their carrying values reported in the accompanying statements of financial position.

Expense allocation – Expenses directly identifiable with programs are charged to program services based upon employee's time for each function, purpose of each expenditure, and/or services provided for each program. Management and general 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. The costs of the Organization's various activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses.

Income taxes – The Organization is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt statuses by the Internal Revenue Service and the California Revenue and Taxation Code. As of June 30, 2019 and 2018, the Organization had no unrecognized tax positions or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the financial statements.

Excess of support and revenues over expenses – The statement of activities and changes in net assets include excess of support and revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of support and revenues over expenses, consistent with industry practice, may include unrealized gains and losses on investments other than trading securities, permanent transfers to and from affiliates for other than goods and services, and contributions and grants of long-lived assets (including assets acquired using contributions and grants which by donor or granting agency restrictions were to be used for the purpose of acquiring such assets).

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to Financial Statements

New accounting pronouncements – In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfied a performance obligation. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date* (“ASU 2015-14”), which deferred the effective date of ASU 2014-09 for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (“ASU 2016-08”), which clarifies the implementation guidance on principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, *Identifying Performance Obligations and Licensing* (“ASU 2016-10”), which clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance in ASU 2014-09, while retaining the related principles for those areas. In May 2016, the FASB issued ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients* (“ASU 2016-12”), which provides narrow-scope improvements and practical expedients to ASU 2014-09. ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 are effective for the Organization beginning July 1, 2019. The Organization adopted the provisions of ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 using the modified retrospective method applied to all contracts existing as of July 1, 2018. Prior to the adoption of ASU 2014-09, a significant portion of the provision and allowance for uncollectible accounts was related to uninsured patients and expected uncollectible deductibles and copayments on accounts which the third-party payor had not yet paid. Under ASU 2014-09, the estimated uncollectible amounts due from these patients are generally considered implicit price concessions that represent a direct reduction to net patient service revenue and a corresponding reduction to patient accounts receivable. The adoption of ASU 2014-09 also implemented additional disclosure requirements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”), to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This update will address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The adoption of ASU 2016-01 is effective for the Organization beginning July 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-01 on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for the Organization beginning July 1, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* (“ASU 2016-14”), which improves the current net asset classification requirements and the information presented in financial statements and notes about an entity’s liquidity, financial performance, and cash flows. The update removes the requirement to present three classes of net assets with two classes, net assets with donor restrictions and net assets without donor restrictions. The Organization adopted ASU 2016-14 during the year ended June 30, 2019, and has adjusted the presentation of these financial statements accordingly, including changes to the presentation of net asset classification, including of information about liquidity and availability of resources.

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to Financial Statements

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”), which provides guidance on eight specific cash flow issues including: debt repayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The adoption of ASU 2016-15 is effective for the Organization beginning July 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-15 on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (“ASU 2016-18”), which requires the statement of cash flows to explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 is effective for the Organization beginning July 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-18 on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit-Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”), which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit-Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted ASU 2018-08 during the year ended June 30, 2019. The adoption of ASU 2018-08 did not have a material impact on the Organization’s financial statements.

NOTE 3 – PROPERTY, BUILDINGS, AND EQUIPMENT, NET

Property, buildings, and equipment at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Land and building	\$ 5,013,820	\$ 5,013,820
Building improvements	6,949,582	6,429,167
Machinery and equipment	1,828,515	1,802,841
Furniture and fixtures	364,259	364,259
Donated equipment	142,304	142,304
Construction in progress	546,977	68,381
	14,845,457	13,820,772
Less: accumulated depreciation	(9,248,403)	(8,609,852)
Property, buildings, and equipment, net	\$ 5,597,054	\$ 5,210,920

Depreciation expense for the years ended June 30, 2019 and 2018, was \$638,550 and \$588,033, respectively.

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Notes to Financial Statements**

The above machinery and equipment amount includes equipment under capital lease arrangement with cost basis of \$99,795 at June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, accumulated amortization expense recorded for capital leases was \$56,551 and \$33,343, respectively.

NOTE 4 – ACCRUED EXPENSES

At June 30, 2019 and 2018, accrued expenses consisted of the following:

	<u>2019</u>	<u>2018</u>
Vacation accrual	\$ 454,241	\$ 443,231
Accrued retirement contribution	149,691	148,823
Accrued salaries	488,180	382,700
Amount due to third-party payor	339,516	264,488
Amount due to counties	1,204,335	405,793
Other	<u>112,359</u>	<u>193,284</u>
Total accrued expenses	<u>\$ 2,748,322</u>	<u>\$ 1,838,319</u>

NOTE 5 – LONG-TERM DEBT

Debt issuance costs – Debt issuance costs are amortized over the life of the long-term debt using the effective interest method, which will mature on December 31, 2020. Unamortized debt issuance costs related to a recognized debt liability are presented in the statements of financial position as a direct deduction from the carrying of the debt liability. Accumulated amortization of debt issuance costs was \$709,244 and \$625,713 at June 30, 2019 and 2018, respectively, while amortization expense was \$83,531 and \$83,530 for the years ended June 30, 2019 and 2018, respectively, and included in other expenses on the accompanying statements of functional expenses.

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Notes to Financial Statements**

Long-term debt outstanding at June 30 consisted of the following:

	2019	2018
California Bank & Trust Series A Authority Loan - A loan payable with a bank which bears interest at 3.78% due in monthly interest-only payments until the end of the "Draw Period" (December 30, 2012). Starting in January 2013, monthly principal and interest payments are due. The amount of the monthly principal payments was determined at the end of the "Draw Period." Monthly principal and interest payments are \$17,757. A balloon payment of \$3,181,311 or the remaining principal balance, whichever is less, is due December 31, 2020. Collateral on the mortgage is the real	\$ 2,490,325	\$ 2,606,222
Unamortized portion of debt issuance costs	(125,295)	(208,826)
Current portion of long-term debt	(121,065)	(117,444)
Long-term debt, net of current portion	\$ 2,243,965	\$ 2,279,952

Scheduled principal repayments on long-term debt are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 121,065
2021	2,369,260
	\$ 2,490,325

Interest expense for the years ended June 30, 2019 and 2018, totaled \$101,623 and \$107,238, respectively.

There are certain financial covenants related to its long-term debt that the Organization was required to comply with. Management believes that the Organization was in compliance with these financial covenants as of and for the year ended June 30, 2019.

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the years ended June 30, 2019 and 2018, by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	2019	2018
Domestic violence services	\$ 10,129	\$ 27,182
Total net assets released from restrictions	\$ 10,129	\$ 27,182

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to Financial Statements

Donor restricted net assets as of June 30, 2019 and 2018, are restricted for the purpose of domestic violence services.

NOTE 7 – BUILDING RENTAL INCOME

The Organization leases a portion of its office building to various nonprofit county agencies and other commercial organizations. The leases expire on various dates through September 2023. The Organization is responsible for all operating and maintenance expenses and other costs of ownership of the facility.

Future minimum lease proceeds are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 734,461
2021	153,879
2022	158,724
2023	<u>39,991</u>
	<u>\$ 1,087,055</u>

Rental income for the years ended June 30, 2019 and 2018, was \$2,439,439 and \$2,393,408, respectively.

NOTE 8 – OPERATING LEASE COMMITMENTS

The Organization has various noncancelable operating agreements for the lease of certain facilities with expiration dates through 2019. Rental expense for the years ended June 30, 2019 and 2018, was \$260,109 and \$240,075, respectively, which is included in rents and leases expense on the accompanying statements of functional expenses. There future minimum lease commitments are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 229,432
2021	233,959
2022	171,212
2023	5,838
2024	<u>487</u>
	<u>\$ 640,928</u>

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Notes to Financial Statements**

NOTE 9 – RETIREMENT PLAN

Under Section 403(b)(7) of the Internal Revenue Code of 1986, individual employees may establish a custodial agreement account for elective salary deferrals. The 403(b) defined contribution plan is based on compensation up to a specified limited amount. All full-time employees of the Organization are eligible to participate in the plan. The Organization contributes an amount up to 3% of the participant's annual salary, and may elect to make other voluntary contributions to the plan. Contributions are fully vested at the time of the contribution. Other voluntary contributions made by the employer vest in equal annual installments over four years commencing at the participant's hire date. During the years ended June 30, 2019 and 2018, the Organization contributed \$149,691 and \$152,789, respectively, to the plan, and these amounts are included in personnel expenses on the accompanying statements of functional expenses.

NOTE 10 – CONTINGENCIES

Grants and contracts awarded to the Organization are subject to the funding agencies' criteria, contract terms, and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs.

Management does not anticipate any material questioned costs for the contracts and grants administered during the period. The Organization would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

The Organization is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, it is management's opinion that the liability, if any, from these actions will not have a material adverse effect on the Organization's financial position.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory reviews, there are no reviews currently underway, and management believes that the outcome of any potential regulatory review will not have a material adverse effect on the Organization's financial position or changes in net assets.

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to Financial Statements

NOTE 11 – HEALTH CARE REFORM

The Patient Protection and Affordable Care Act (“PPACA”) allowed for the expansion of Medicaid members in the State of California. Any further federal or state funding changes could have an impact on the Organization. With the changes in the executive branch, the future of PPACA and impact of future changes in Medicaid to the Organization is uncertain at this time.

NOTE 12 – LIQUIDITY AND AVAILABILITY

The following table reflects the Organization’s financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year:

Financial assets	
Cash and cash equivalents	\$ 7,388,367
Grants receivable, net - current	2,493,505
Patient accounts receivable, net	54,372
Other receivables	<u>61,731</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,997,975</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Organization has evaluated subsequent events through October 23, 2019, which is the date the financial statements were available to be issued.

Supplementary Information

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Award Number	Award Period	Federal Expenditures
<i>U.S. Department of Health and Human Services</i>				
Direct Awards				
Assistance for Torture Victims	93.604	90ZT0160-02-00	9/30/15-9/29/18	\$ 108,869
Assistance for Torture Victims	93.604	90ZT0200-01-00	9/30/18-9/29/22	279,816
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) - part of Health Center Program Cluster	93.224	H80CS26615	3/1/16-2/28/22	1,144,936
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	C8DCS29763-01-00	5/1/16-4/30/19	171,404
<i>Total Direct Awards</i>				<u>1,705,025</u>
Pass-through from Santa Clara County				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	4300015414	7/1/18-6/30/19	49,043
Pass-through from California Governor's Office of Emergency Services (CalOES)				
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	DV17 26 1471	10/1/18-9/30/19	150,000
Pass-through from Santa Clara County Social Services Agency				
Special Programs for the Aging_Nutrition Services Incentive Program - part of Aging Cluster	93.053	AP 1213-15	7/1/18-6/30/19	18,478
Pass-through from Santa Clara County Social Services Agency				
Special Programs for the Aging_Nutrition Services Incentive Program - part of Aging Cluster	93.045	AP 1213-15	7/1/18-6/30/19	46,549
Subtotal for Aging Cluster				65,027
<i>Total U.S. Department of Health and Human Services</i>				<u>1,969,095</u>
<i>U.S. Department of Justice</i>				
Pass-through from Santa Clara University				
Services for Trafficking Victims	16.320	2015-VT-BX-K031	10/1/15-9/30/19	14,550
Pass-through from California Emergency Management				
Crime Victim Assistance	16.575	DV17 25 1471	10/1/17-9/30/18	43,870
Crime Victim Assistance	16.575	DV18 26 1471	10/1/18-9/30/19	163,660
Pass-through from Asian Law Alliance				
Legal Assistance for Victims Grant	16.524	2017-WL-AX-0031	10/1/17-9/30/20	92,774
<i>Total U.S. Department of Justice</i>				<u>314,854</u>
<i>Total expenditures of federal awards</i>				<u>\$ 2,283,949</u>

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of The Asian Americans for Community Involvement of Santa Clara County, Inc. (the “Organization”), under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (“OMB”) Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – SUBRECIPIENTS

The Organization did not provide federal awards to subrecipients during the year ended June 30, 2019.

Report of Independent Auditors 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
The Asian Americans for Community Involvement of Santa Clara County, Inc.

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 The Asian Americans for Community Involvement of Santa Clara County, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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 October 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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.

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 the Organization'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.

Moss Adams LLP

San Francisco, California
October 23, 2019

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control over Compliance as Required by the Uniform Guidance

To the Board of Directors
The Asian Americans for Community Involvement of Santa Clara County, Inc.

Report on Compliance for the Major Federal Program

We have audited The Asian Americans for Community Involvement of Santa Clara County, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2019. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, The Asian Americans for Community Involvement of Santa Clara County, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
October 23, 2019

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Federal Program and Type of Auditor's Report Issued on Compliance for Major Federal Program

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Program</i>
93.224	Health Center Program Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019**

There were no prior audit findings reported.

