

Report of Independent Auditors and
Financial Statements with
Supplementary Information

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

June 30, 2016

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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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, 2016, and the related statements of operations 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, 2016, 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.

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 Guidance), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016, 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 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 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
November 15, 2016

FINANCIAL STATEMENTS

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,756,026
Grants receivable, net - current	3,161,221
Patient accounts receivable, net of allowance for doubtful accounts of \$3,587	59,563
Promises to give	4,500
Other receivables	10,531
Prepaid expenses	237,598
Debt issuance costs, net of accumulated amortization - current	<u>83,531</u>
Total current assets	7,312,970
Property, buildings, and equipment, net of accumulated depreciation	5,268,986
Grants receivable, net, less current portion	157,584
Debt issuance costs, net of accumulated amortization, less current portion	292,356
Deposits	<u>17,390</u>
Total assets	<u><u>\$ 13,049,286</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 161,006
Accrued expenses	819,043
Deferred revenue	216,033
Current portion of long-term debt	<u>106,451</u>
Total current liabilities	1,302,533
LONG-TERM DEBT , less current portion	<u>2,715,344</u>
Total liabilities	<u>4,017,877</u>

NET ASSETS

Unrestricted net assets	
Undesignated	6,004,680
Board designated	<u>3,014,599</u>
Total unrestricted net assets	9,019,279
Temporarily restricted net assets	<u>12,130</u>
Total net assets	<u>9,031,409</u>
Total liabilities and net assets	<u><u>\$ 13,049,286</u></u>

See accompanying notes.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES			
Support			
Contracts and grants	\$ 9,156,601	\$ 1,115	\$ 9,157,716
Contributions	1,050,486	-	1,050,486
Special events	308,128	-	308,128
Total support	<u>10,515,215</u>	<u>1,115</u>	<u>10,516,330</u>
Revenues			
Patient service revenue, net	2,282,146	-	2,282,146
Provision for bad debts	(265,793)	-	(265,793)
Net patient service revenues less provision for bad debts	2,016,353	-	2,016,353
Building rental income	2,344,076	-	2,344,076
Investment income	4,594	-	4,594
Other revenue	51,800	-	51,800
Net assets released from restrictions	903,677	(903,677)	-
Total support and revenues	<u>15,835,715</u>	<u>(902,562)</u>	<u>14,933,153</u>
EXPENSES			
Program services	10,801,258	-	10,801,258
Supporting services			
Management and general	2,596,788	-	2,596,788
Fiscal sponsorship	12,823	-	12,823
Total supporting services	2,609,611	-	2,609,611
Building expenses	1,395,973	-	1,395,973
Total expenses	<u>14,806,842</u>	<u>-</u>	<u>14,806,842</u>
CHANGE IN NET ASSETS	1,028,873	(902,562)	126,311
NET ASSETS, beginning of year	<u>7,990,406</u>	<u>914,692</u>	<u>8,905,098</u>
NET ASSETS, end of year	<u>\$ 9,019,279</u>	<u>\$ 12,130</u>	<u>\$ 9,031,409</u>

See accompanying notes.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Program Services				Support Services			Building	Total
	Physical Health	Behavioral Health	Wellness and Others	Total	Management and General	Fiscal Sponsorship	Total		
Expenses									
Personnel expenses	\$ 2,343,798	\$ 4,516,065	\$ 1,224,473	\$ 8,084,336	\$ 1,783,015	\$ -	\$ 1,783,015	\$ 436,730	\$ 10,304,081
Rents and leases	73,612	173,962	51,434	299,008	34,842	475	35,317	9,125	343,450
Medical supplies	33,902	895	6,649	41,446	696	-	696	294	42,436
Professional fees	190,799	249,762	78,495	519,056	232,887	800	233,687	18,950	771,693
Office supplies	26,034	70,584	73,402	170,020	97,224	-	97,224	51,481	318,725
Depreciation	239,428	167,472	31,975	438,875	26,671	-	26,671	262,851	728,397
Insurance	23,534	20,856	6,816	51,206	15,707	-	15,707	22,527	89,440
Membership fees and publications	20,796	18,837	293	39,926	37,118	-	37,118	810	77,854
Utilities and communication	25,029	68,001	24,062	117,092	12,282	-	12,282	402,972	532,346
Repairs and maintenance	19,669	47,448	8,802	75,919	28,375	-	28,375	604,391	708,685
Meetings and trainings	27,599	29,021	37,736	94,356	157,720	8,375	166,095	-	260,451
Interest	-	-	-	-	-	-	-	114,021	114,021
Travel	8,548	69,883	58,071	136,502	33,925	39	33,964	1,631	172,097
Property taxes	-	1,109	-	1,109	201	-	201	12,721	14,031
Other	54,669	119,060	35,225	208,954	(6,344)	3,134	(3,210)	123,391	329,135
Total functional expenses before allocations	3,087,417	5,552,955	1,637,433	10,277,805	2,454,319	12,823	2,467,142	2,061,895	14,806,842
Building expenses - allocated	216,973	166,565	139,915	523,453	142,469	-	142,469	(665,922)	-
Total functional expenses	\$ 3,304,390	\$ 5,719,520	\$ 1,777,348	\$ 10,801,258	\$ 2,596,788	\$ 12,823	\$ 2,609,611	\$ 1,395,973	\$ 14,806,842
Percentage of total	22.32%	38.63%	12.00%	72.95%	17.54%	0.09%	17.62%	9.43%	100.00%

See accompanying notes.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 126,311
Adjustments to reconcile the change in net assets to net cash used in operating activities	
Depreciation and amortization	811,928
Provision for doubtful accounts	265,793
Change in operating assets and liabilities	
Patient accounts receivable, net	30,072
Grants receivable	(1,393,957)
Promises to give	327,994
Other receivables	(9,615)
Prepaid expenses	(56,899)
Deposits	(1,790)
Accounts payable	(446,580)
Accrued expenses	(75,914)
Deferred revenue	54,237
	<u>(368,420)</u>
Net cash used in operating activities	<u>(368,420)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(308,472)</u>
Net cash used in investing activities	<u>(308,472)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal repayments on long-term debt	<u>(378,820)</u>
Net cash used in financing activities	<u>(378,820)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(1,055,712)

CASH AND CASH EQUIVALENTS, beginning of year

4,811,738

CASH AND CASH EQUIVALENTS, end of year

\$ 3,756,026

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash paid for interest	<u>\$ 114,021</u>
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See accompanying notes.

**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 specializes in providing culturally competent health and social services, targeting the Asian community in Santa Clara County. Additionally, AACI promotes social justice through education and participation in the democratic process, and provides a community voice for issues of concern to Asians in Santa Clara County.

The AACI’s mission is to improve the health, mental health, and well-being of individuals, families, and the Asian community. AACI does this by providing an array of high quality health and human services, sharing expertise about the Asian community’s needs and best service delivery practices, and providing Asian leadership in advocating on key health and human services issues. Founded in 1973, AACI is the largest community-based organization focused on the Asian community in Santa Clara County.

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.

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.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

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

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, 2016, 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.

Grants receivable, net – Grants receivable, less an allowance for uncollectible amounts, are recognized as support and revenues in the period received. The Organization uses the allowance method to record uncollectible accounts and grants receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2016, the allowance for uncollectible grants receivable was \$0.

Patient accounts receivable, net – Patient accounts receivable are recorded at gross value along with a corresponding contractual allowance and allowance for bad debts. Allowance accounts are estimated for each type of receivable based on the Organization's experience in collecting receivables. Receivables are not collateralized. The Organization does not refuse service to patients based on an individual's ability to pay. In evaluating the collectability of patient accounts receivable, the Organization analyzes its past history and identified trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for unexpected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-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 provision for bad debts 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 and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Property, building, and equipment, net – Property, building, 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 year ended June 30, 2016.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Revenue recognition – The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from contracts and grants which have been classified as “exchange transactions” and program fees are recognized as revenue in the period in which the service is provided. Deferred revenue represents advances of resources or revenue received in advance of the earnings process being completed.

Contract and grant – 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.

During the year ended June 30, 2016, approximately 56% of the Organization’s support and revenue were derived from government contracts and grants. At June 30, 2016, receivable from one government grantor represents 71% of grants receivable.

Contributions – Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Temporarily restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Patient service revenue, net – The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future period as adjustments become known.

The Organization is approved as a Federally Qualified Health Center (“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:

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 fee scale – The Organization provides care to patients, who meet certain criteria under its sliding 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 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.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

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.

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:

Unrestricted net assets – Net assets that are not subject to donor imposed stipulations. Investment earnings are recorded as unrestricted net assets for certain temporarily restricted funds in accordance with the Organization’s spending rule and for certain funds in accordance with donor stipulations. Unrestricted net assets 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, 2016, the unrestricted board designated net assets were \$3,014,599.

Temporarily restricted net assets – 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor imposed stipulations that they be manipulated permanently by the Organization. At June 30, 2016, the Organization had no permanently restricted net assets.

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 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, 2016, materially approximate their carrying values (Note 6).

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

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Income taxes – The Organization is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and have been granted tax-exempt statuses by the Internal Revenue Service and the California Revenue and Taxation Code. As of June 30, 2016, 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.

New accounting pronouncements – In August 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40) – Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (“ASU 2014-15”). ASU 2014-15 is intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. The adoption of ASU 2014-15 is effective for the Organization for fiscal year ending July 30, 2017. Management is currently evaluating the impact of the provisions of ASU No. 2014-15 on the financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”) that affect limited partnerships and similar entities, evaluating fees paid to a decision maker or a service provider as a variable interest, effect of fee arrangements on the primary beneficiary determination, effect of related parties on the primary beneficiary determination, and certain investment funds. The adoption of ASU 2015-03 is effective for the Organization beginning July 1, 2016. Management is currently evaluating the impact of the provisions of ASU No. 2015-03 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, 2019. Management is currently evaluating the impact of the provisions of ASU No. 2016-02 on the financial statements.

NOTE 3 – UNAMORTIZED DEBT ISSUANCE COSTS

Debt issuance costs are amortized ratably over the life of the long-term debt which will mature on December 31, 2020. Future estimated aggregate amortization is \$292,356 through the date of maturity. At June 30, 2016, the balance of debt issuance costs, net of accumulated amortization, consisted of the following:

Debt issuance costs	\$	834,539
Less: accumulated amortization		(458,652)
		375,887
Debt issuance costs, net of accumulated amortization - current		(83,531)
Debt issuance costs, net of accumulated amortization, less current portion	\$	292,356

Amortization expense for the year ended June 30, 2016, totaled \$83,531, which is included in other expenses on the accompanying statement of functional expenses.

NOTE 4 – PROPERTY, BUILDING AND EQUIPMENT, NET

Property, building, and equipment at June 30, 2016, consisted of the following:

Land and building	\$	5,013,820
Building improvements		5,869,158
Machinery and equipment		1,509,656
Furniture and fixtures		337,301
Donated equipment		142,304
Construction in progress		26,335
		12,898,574
Less: accumulated depreciation		(7,629,588)
Property and equipment, net	\$	5,268,986

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Depreciation expense for the year ended June 30, 2016, was \$728,397.

NOTE 5 - ACCRUED EXPENSES

At June 30, 2016, accrued expenses consisted of the following:

Vacation accrual	\$ 257,986
Accrued retirement contribution	159,582
Accrued salaries	87,586
Amount due to third party payor	170,108
Other	143,781
	<hr/>
Total accrued expenses	<u>\$ 819,043</u>

NOTE 6 - LONG-TERM DEBT

At June 30 2016, long-term debt outstanding consisted of the following:

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 property associated with the mortgage.

	<u>\$ 2,821,795</u>
Total long-term debt	2,821,795
Current portion of long-term debt	<u>(106,451)</u>
Long-term debt, net of current portion	<u>\$ 2,715,344</u>

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

Year Ending June 30,

2017	\$ 106,451
2018	110,603
2019	114,917
2020	119,143
Thereafter	2,370,681
	<hr/>
	<u>\$ 2,821,795</u>

Interest expense for the year ended June 30, 2016, totaled \$114,021.

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, 2016.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the year ended June 30, 2016, by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	2016
Center for Addiction Recovery Empowerment	\$ 430,279
Health services	103,060
Domestic violence services	94,562
Senior community program	87,484
Advocacy	77,635
Patient navigation services	37,126
Time restricted gifts	35,333
Mental health services	23,333
Administration	14,865
	\$ 903,677

NOTE 8 – 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 2021. 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>	
2017	\$ 2,194,237
2018	2,187,288
2019	2,187,288
2020	546,822
Thereafter	-
	\$ 7,115,635

Rental income for the year ended June 30, 2016, was \$2,344,076.

NOTE 9 – OPERATING LEASE COMMITMENTS

The Organization has various noncancelable operating agreements for the lease of certain facilities with expiration dates through 2018. Rental expense for the year ended June 30, 2016, was \$228,475, which is included in rents and leases expense on the accompanying statement of functional expenses.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 188,207
2018	193,853
2019	148,637
	\$ 530,697

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – 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 year ended June 30, 2016, the Organization contributed \$140,086 to the plan, and this amount is included in employee benefits on the accompanying statement of functional expenses.

NOTE 11 – 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 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.

NOTE 12 – HEALTH CARE REFORM

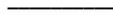
In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend health care coverage to approximately 32,000,000 uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. The Organization is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations and or interpretive guidance.

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 issued.

The Organization has evaluated subsequent events through November 15, 2016, 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, 2016

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 Award				
Assistance for Torture Victims	93.604	90ZT0160-01-01	9/30/15-9/29/18	\$ 359,350
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	6 H80CS26615-02-08	3/1/15-2/29/16	285,571
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	6 H80CS26615-03-07	3/1/16-2/28/17	429,001
Total Consolidated Health Centers Cluster				<u>714,572</u>
Pass-through from Sourcewise Community Resource Solutions				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	AP 1213-15	7/1/15-6/30/16	10,000
Pass-through from Santa Clara County Social Services Agency				
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	AP 1213-15	7/1/15-6/30/16	60,118
Total Aging Cluster				<u>70,118</u>
Pass-through from Santa Clara County				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	4102910	7/1/14-9/30/15	76,193
Pass-through from City of San Jose Housing Department				
Assistance for Torture Victims	93.604	CPS-13-008	7/1/14-6/30/15	839
Pass-through from California Governor's Office of Emergency Services (CalOES)				
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	DV15-23-1471	7/1/15-6/30/16	287,494
Pass-through from City of San Jose Housing Department				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CPS-13-008	7/1/14-9/30/15	8,457
<i>Total U.S. Department of Health and Human Services</i>				<u>1,517,023</u>
<i>U.S. Department of Justice</i>				
Pass-through from Santa Clara University				
Services for Trafficking Victims	16.320	2015-VT-BX-K031	10/1/15-9/30/18	13,932
Pass-through from Morgan Hill Police Department				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2013-WL-AX-0002	10/1/13-9/30/16	78,342
<i>Total U.S. Department of Justice</i>				<u>92,274</u>
<i>U.S. Department of Homeland Security</i>				
Direct Award				
Emergency Food and Shelter National Board Program	97.024	088000-056	11/1/14-10/31/15	5,162
<i>Total U.S. Department of Homeland Security</i>				<u>5,162</u>
<i>Total expenditures of federal awards</i>				<u>\$ 1,614,459</u>

See accompanying notes to schedule of expenditures of federal awards.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

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, 2016. 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 OMB Circular A-122, *Cost Principles for Non-profit Organizations* or 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, 2016.

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, 2016, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2016.

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 opinion 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
November 15, 2016

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, 2016. 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, 2016.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



San Francisco, California
November 15, 2016

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

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	<i>Consolidated Health Centers</i>	<i>Unmodified</i>

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

None noted

Section III - Federal Award Findings and Questioned Costs

Finding 2016-001 – Reporting – Significant Deficiency

Federal Programs – CFDA # 93.224, Consolidated Health Centers, U.S. Department of Human Services, Award # H80CS266150208, program year 2015-2016

Criteria – Per NIH Grant Policy 2015, Section 8.4.1.5.1, *Cash Transaction Reports*, quarterly reports are due 30 days after the end of each calendar quarter.

Condition – The Federal Financial Reports for the first quarter of the Organization's fiscal year was submitted after the 30 day deadline.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year Ended June 30, 2016

Questioned costs – None noted

Context – During our testing procedures for reporting, we noted the Federal Financial Report for Q2 was filed months after the 30-day deadline.

Effect – The Organization did not file its Federal Financial Report for Q2 on a timely basis and is not in compliance with its reporting compliance requirement.

Cause – The individual responsible for completing and filing the Federal Financial Reports was terminated before the deadline, and the successor was only hired subsequent to the deadline and was not able to file the report until the appropriate access was granted to the reporting system.

Recommendation – We recommend that management improves its policies and procedures to ensure that the reporting deadlines are properly met, especially when turn-over in employees occur.

Management's response – Management agrees with the recommendation and will enhanced its reporting policies and procedures to ensure that the reporting deadlines will be properly incorporated into the financial closing and reporting process.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

There are no prior audit findings to report on.

November 15, 2016

Moss Adam LLP
101 Second Street, 9th Floor
San Francisco, CA 94105

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), we have provided below our response and corrective action plans addressing the findings noted in The Asian Americans for Community Involvement of Santa Clara County, Inc.'s Single Audit reporting package for the year ended June 30, 2016.

Response and Corrective Action Plan

Finding 2016-001

Reporting – Significant Deficiency

Response and Corrective Action Plan: Management agrees with the recommendation and will enhanced its reporting policies and procedures to ensure that the reporting deadlines will be properly incorporated into the financial closing and reporting process.

Anticipated Completion Date: By December 31, 2016.

Responsible Person: Frank Tsai, Interim Chief Financial Officer; and Sim Su, Controller.

Sincerely,



Frank Tsai
Interim Chief Financial Officer



Sim Su
Controller