

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2010  
(With Summarized Comparative Totals for 2009)

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

Year Ended June 30, 2010  
(With Summarized Comparative Totals for 2009)

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THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

Year Ended June 30, 2010  
(With Summarized Comparative Totals for 2009)

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## SHEA LABAGH DOBBERSTEIN

*Certified Public Accountants, Inc.*

### INDEPENDENT AUDITORS' REPORT

THE AUDIT COMMITTEE OF  
THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

We have audited the accompanying statement of financial position of THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC. (the "Organization", a California not-for-profit corporation) as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated October 12, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Statement of Compliance United Nations Grant is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SHEA LABAGH DOBBERSTEIN  
Certified Public Accountants, Inc.

A handwritten signature in cursive script that reads "Shea Labagh Dobberstein". The signature is written in black ink and is positioned below the printed name of the firm.

October 20, 2010

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2010

(With Summarized Comparative Totals for 2009)

	2010		2009	
	Unrestricted	Temporarily Restricted	Total	Total
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 3,726,751	\$ 1,243,450	\$ 4,970,201	\$ 3,122,683
Grants Receivable	1,282,958	-	1,282,958	1,630,926
Accounts Receivable, Net	220,773	75,879	296,652	242,770
Promises to Give	65,385	750,000	815,385	48,730
Prepaid Expenses	162,928	-	162,928	140,637
Prepaid Income Taxes	9,453	-	9,453	-
Unamortized Debt Issuance Cost	22,744	-	22,744	22,744
<u>TOTAL CURRENT ASSETS</u>	5,490,992	2,069,329	7,560,321	5,208,490
<u>RESTRICTED CASH IN ESCROW</u>	208,316	-	208,316	209,157
<u>PROMISES TO GIVE, Net of</u>				
Current Portion Shown Above	48,515	1,176,588	1,225,103	68,161
<u>PROPERTY AND EQUIPMENT, Net</u>	4,104,129	-	4,104,129	4,451,765
<u>CAPITALIZED LEASE EQUIPMENT, Net</u>	3,418	-	3,418	11,621
<u>UNAMORTIZED DEBT ISSUANCE COSTS, Net of</u>				
Current Portion Shown Above	28,430	-	28,430	51,174
<u>OTHER ASSETS</u>	5,517	-	5,517	5,736
<u>TOTAL ASSETS</u>	<u>\$ 9,889,317</u>	<u>\$ 3,245,917</u>	<u>\$ 13,135,234</u>	<u>\$ 10,006,104</u>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION (Continued)

June 30, 2010

(With Summarized Comparative Totals for 2009)

	2010		2009	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 249,092	\$ -	\$ 249,092	\$ 253,446
Accrued Expenses	531,095	-	531,095	496,573
Tenant Security Deposits	7,909	-	7,909	7,909
Income Tax Payable	-	-	-	5,118
Deferred Revenue	169,532	-	169,532	153,371
Current Maturities of Capital Lease Obligations	4,438	-	4,438	9,785
Current Maturities of Long-Term Debt	149,106	-	149,106	150,377
<u>TOTAL CURRENT LIABILITIES</u>	1,111,172	-	1,111,172	1,076,579
<u>CAPITAL LEASE OBLIGATIONS, Net of</u>				
Current Maturities Shown Above	-	-	-	4,438
<u>LONG-TERM DEBT, Net of Current</u>				
Maturities Shown Above	5,070,850	-	5,070,850	5,219,956
<u>TOTAL LIABILITIES</u>	6,182,022	-	6,182,022	6,300,973
<u>COMMITMENTS AND CONTINGENCIES</u>				
	-	-	-	-
<u>NET ASSETS</u>				
Unrestricted:				
Undesignated	692,696	-	692,696	673,977
Board Designated	3,014,599	-	3,014,599	2,406,698
Total Unrestricted	3,707,295	-	3,707,295	3,080,675
Temporarily Restricted	-	3,245,917	3,245,917	624,456
<u>TOTAL NET ASSETS</u>	3,707,295	3,245,917	6,953,212	3,705,131
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 9,889,317</u>	<u>\$ 3,245,917</u>	<u>\$ 13,135,234</u>	<u>\$ 10,006,104</u>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2010  
(With Summarized Comparative Totals for 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
<u>REVENUES, GAINS AND OTHER SUPPORT</u>				
Contracts and Grants	\$ 6,051,566	\$ -	\$ 6,051,566	\$ 6,477,685
Contributions	67,879	3,314,773	3,382,652	883,459
Special Events, Net of Expenses of \$17,771	59,843	-	59,843	47,774
Treatment Fees	2,369,413	-	2,369,413	2,195,296
Building Rental Income	1,987,492	-	1,987,492	1,966,198
Investment Income	23,133	-	23,133	61,728
Other Income	86,034	-	86,034	170,398
Net Assets Released From Restriction	693,312	(693,312)	-	-
<u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u>	<u>11,338,672</u>	<u>2,621,461</u>	<u>13,960,133</u>	<u>11,802,538</u>
<u>EXPENSES</u>				
Program Services	8,999,385	-	8,999,385	9,353,840
Building	1,520,793	-	1,520,793	1,367,143
Fundraising	145,486	-	145,486	112,351
Supporting Services	25,347	-	25,347	4,082
Fiscal Sponsorship	12,318	-	12,318	-
<u>TOTAL EXPENSES</u>	<u>10,703,329</u>	<u>-</u>	<u>10,703,329</u>	<u>10,837,416</u>
<u>CHANGES IN NET ASSETS BEFORE</u>				
<u>INCOME TAXES</u>	635,343	2,621,461	3,256,804	965,122
<u>INCOME TAXES</u>	8,723	-	8,723	18,666
<u>CHANGES IN NET ASSETS</u>	626,620	2,621,461	3,248,081	946,456
<u>NET ASSETS, Beginning of Year</u>	<u>3,080,675</u>	<u>624,456</u>	<u>3,705,131</u>	<u>2,758,675</u>
<u>NET ASSETS, End of Year</u>	<u>\$ 3,707,295</u>	<u>\$ 3,245,917</u>	<u>\$ 6,953,212</u>	<u>\$ 3,705,131</u>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

(With Summarized Comparative Totals for 2009)

	2010										2009				
	Mental Health Services	Domestic Violence Services	Senior & Health Services	Substance Abuse Services	Youth Services	Health Services	CARE Services	Advocacy	Census	Total	Building	Fund-Raising	Supporting Services	Fiscal Sponsorship	Total
Salaries	\$ 1,738,690	\$ 500,358	\$ 238,801	\$ 939,403	\$ 126,661	\$ 1,123,720	\$ 68,508	\$ 42,895	\$ 21,892	\$ 4,820,928	\$ 145,425	\$ 74,221	\$ 849,601	\$ -	\$ 5,890,175
Employee Benefits	230,107	88,444	38,922	107,310	21,979	154,230	14,714	4,303	1,479	661,488	27,336	11,399	133,002	-	833,825
Payroll Tax	130,428	37,778	19,542	70,772	9,589	72,415	4,581	3,386	1,611	350,102	11,075	5,366	61,234	-	427,977
Repair & Maintenance	4,023	15,376	-	4,191	675	11,019	-	-	-	35,284	242,844	3,366	15,451	-	296,945
Depreciation	17,126	12,108	1,114	5,656	576	53,804	129	76	24	90,613	375,088	4,805	10,877	-	431,932
Interest Expense	-	-	27,708	-	-	60,396	1,207	2,951	440	224,185	13,814	2,417	34,853	-	376,279
Professional Fees	1,703	10,913	14,467	12,555	20,729	4,079	30,000	16,480	-	15,464	304,155	7,240	42,166	-	319,619
Utilities	6,000	5,151	6,000	12,555	20,729	4,079	30,000	16,480	-	15,464	304,155	7,240	42,166	-	319,619
Consultants & Subcontractors	187,114	5,151	14,467	12,555	20,729	4,079	30,000	16,480	-	15,464	304,155	7,240	42,166	-	341,836
Janitorial	5,000	-	-	-	-	-	-	-	-	290,375	-	-	-	1,855	309,993
Insurance	17,680	6,126	2,368	10,538	1,262	19,873	135	186	162	58,330	208,437	577	23,934	-	214,437
Supplies	34,656	47,034	11,637	12,423	10,512	32,780	269	1,436	645	151,392	4,732	247	16,826	299	178,349
Seminars & Training	12,405	1,191	3,980	12,220	7,025	7,058	623	115	-	44,617	-	9,755	46,228	75	100,675
Amortization	-	-	-	-	-	-	-	-	-	-	141,961	-	-	-	141,961
Equipment & Furniture	64,401	13,056	861	13,130	4,318	3,622	109	-	-	99,497	1,062	-	29,968	-	130,527
Program Food	6,084	9,141	32,046	5,550	6,477	2,680	29	2,156	2,702	66,865	-	3,837	21,028	3,385	95,115
Auto & Travel	43,609	13,232	2,917	5,217	2,574	310	134	447	117	68,557	3	73	4,179	-	72,812
Occupancy	35,653	-	-	33,500	-	-	-	-	-	69,153	-	-	480	-	70,512
Telephone	14,025	10,866	1,964	13,607	1,601	5,406	202	226	270	48,167	3,786	528	4,647	879	57,128
Licensing Fees	544	877	-	39,843	-	4,090	-	-	-	43,354	-	40	2,035	-	47,429
Copying, Printing & Postage	3,423	169	320	4,635	219	1,689	-	73	-	10,528	305	2,256	24,356	75	37,520
Membership Fees & Publications	5,346	1,100	-	692	-	6,267	160	-	-	13,565	946	150	8,890	-	23,551
Security	14,700	-	-	-	-	-	-	-	-	14,700	4,154	-	-	-	21,257
Bank Charges	-	5	-	10,302	-	584	-	-	-	10,891	-	871	7,998	-	18,854
Equipment Rent/Lease	8,032	1,348	536	2,170	276	4,699	59	37	11	17,168	335	126	1,323	-	19,760
Client Financial Assistance	20	15,472	-	500	-	500	-	-	-	15,992	-	-	-	-	18,952
Donations	-	-	-	-	-	-	-	-	-	550	-	-	-	-	550
Shipping	-	-	3,306	12,000	-	-	50	500	-	15,306	-	3,600	-	-	19,906
Advertising	-	6,979	225	-	150	225	-	-	-	7,654	-	-	405	-	8,059
Property Taxes	-	687	-	-	-	-	-	-	-	687	-	-	-	-	687
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	31,481	-	-	-	31,481
Other	1,324	568	1,805	2,697	1,343	1,363	189	1,745	235	11,269	3,005	115	1,1738	2,592	28,719
<b>Expense Before Administrative Allocations</b>	<b>2,651,589</b>	<b>825,687</b>	<b>405,099</b>	<b>1,362,644</b>	<b>221,280</b>	<b>1,570,809</b>	<b>121,173</b>	<b>77,012</b>	<b>29,588</b>	<b>7,264,881</b>	<b>1,941,089</b>	<b>130,839</b>	<b>1,356,610</b>	<b>9,910</b>	<b>10,703,329</b>
Building Expense - Allocated	151,470	21,461	15,742	107,140	-	101,425	27,049	3,408	-	427,695	(332,516)	14,647	90,174	-	-
Supporting Services - Allocated	489,072	144,521	72,875	246,599	39,345	291,003	19,995	-	3,399	1,306,809	112,220	-	(1,421,437)	2,408	-
<b>Total Expenses</b>	<b>\$ 3,292,131</b>	<b>\$ 991,669</b>	<b>\$ 493,716</b>	<b>\$ 1,716,383</b>	<b>\$ 260,625</b>	<b>\$ 1,963,237</b>	<b>\$ 168,217</b>	<b>\$ 80,420</b>	<b>\$ 32,987</b>	<b>\$ 8,999,385</b>	<b>\$ 1,520,793</b>	<b>\$ 145,486</b>	<b>\$ 25,347</b>	<b>\$ 12,318</b>	<b>\$ 10,703,329</b>
															<b>\$ 10,837,416</b>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2010  
(With Summarized Comparative Totals for 2009)

	2010	2009
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in Net Assets	\$ 3,248,081	\$ 946,456
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	551,150	512,717
Discount on Promises to Give	73,412	-
Amortization of Debt Issuance Cost	22,744	22,744
(Increase) Decrease in Operating Assets:		
Grants Receivable	347,968	(892,075)
Accounts Receivable	(53,882)	(27,813)
Promises to Give	(1,997,009)	(116,891)
Prepaid Expenses	(22,291)	67,961
Prepaid Income Taxes	(9,453)	15,612
Other Assets	219	(305)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(4,354)	(137,198)
Accrued Expenses	34,522	4,206
Tenant Security Deposits	-	(7,082)
Income Tax Payable	(5,118)	5,118
Deferred Revenue	16,161	2,982
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>2,202,150</u>	<u>396,432</u>
<u>NET CASH USED IN INVESTING ACTIVITY</u>		
Purchases of Property and Equipment	(195,311)	(590,212)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on Capital Lease Obligations	(9,785)	(21,602)
Payments on Long-Term Debt	(150,377)	(141,929)
(Increase) Decrease in Restricted Cash in Escrow	841	(15,280)
<u>NET CASH USED IN FINANCING ACTIVITIES</u>	<u>(159,321)</u>	<u>(178,811)</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	1,847,518	(372,591)
<u>CASH AND CASH EQUIVALENTS, Beginning of Year</u>	<u>3,122,683</u>	<u>3,495,274</u>
<u>CASH AND CASH EQUIVALENTS, End of Year</u>	<u>\$ 4,970,201</u>	<u>\$ 3,122,683</u>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

STATEMENTS OF CASH FLOWS (Continued)

Year Ended June 30, 2010  
(With Summarized Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW</u>		
<u>INFORMATION</u>		
Cash Paid During the Year for:		
Interest	\$ 377,089	\$ 388,037
Taxes	\$ 23,294	\$ 17,908

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 – ORGANIZATION

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC. (“AACI” or “Organization”) is a not-for-profit public benefit California corporation created in November 1973.

AACI specializes in providing culturally and linguistically accessible health and direct human services, targeting the Asian American and Pacific Islander communities throughout Santa Clara County. Additionally, AACI is committed to initiating diverse segments of the Asian American and Pacific Islander community, promoting social justice through education and participation in the democratic process, and providing a community voice for issues of concern to Asian Americans and Pacific Islanders.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements have been prepared on the accrual basis of accounting.

On June 30, 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (as amended)*. This standard established the Accounting Standards Codification (“FASB ASC”) as the single source of authoritative accounting principles generally accepted in the United States of America recognized by the FASB to be applied by nongovernmental entities. Substantially all previous United States generally accepted accounting principle standards issued by a standard setter are superseded and are codified into the FASB ASC. The FASB ASC is effective for financial statements issued for periods ending after September 15, 2009. Adoption of the FASB ASC had no impact on AACI’s financial condition or changes in net assets.

Accounting principles generally accepted in the United States of America (“US GAAP”) require that the Organization report information about its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support the Organization’s operations. The Board of Directors may designate a portion of these net assets for specific purposes.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support for specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they may be used for a specified purpose, be preserved, and not to be sold; or (b) assets donated with stipulations that be invested to provide a permanent source of income. There were no permanently restricted net assets as of June 30, 2010 and 2009.

Use of Estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand and held in bank and a highly liquid money market fund with original maturities of three months or less at the time of purchase.

Promises to Give – Unconditional promises to give are recognized as revenues in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are recorded at fair market value. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their net realizable value, determined using the risk-free interest rate applicable for the year which the promises are to be received.

The Organization uses the allowance method to record uncollectible unconditional promises. The allowance is based on prior year's experience and management's analysis of specific promises made. At June 30, 2010 and 2009, the allowance for uncollectible unconditional promises was \$28,000 and \$20,628, respectively.

Restricted Cash in Escrow – At June 30, 2010 and 2009, cash held in escrow that is restricted in accordance with the terms of the mortgage debt amounts (Note 10) was \$208,316 and \$209,157, respectively.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments – Investments with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The disclosures related to investments in accordance with FASB ASC, *Fair Value Measurements and Disclosures* were no longer presented since the amount of investments was only \$1,688 and \$1,407 at June 30, 2010 and 2009, respectively.

Property and Equipment – The Organization’s property and equipment in excess of \$5,000 with an expected useful life in excess of one year are carried at cost; donated items of property and equipment used in operations are recorded at their estimated market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed using the straight-line method over the asset’s estimated useful lives, which range from three to thirty one and a half years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

The Organization regularly evaluates its long-lived assets for indicators of possible impairment. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset’s fair market value. The Organization has not identified any such impairment losses to date.

Deferred Revenue – Deferred revenue consists primarily of the rental fees received in advance from tenants to occur in the subsequent fiscal year. These advance rentals will be recognized as income over the period to which they apply.

Revenue Recognition:

Contracts and Grants – The Organization’s support is derived primarily from the federal and State grants. Revenues are recognized when expenditures have been incurred in accordance with the grant agreement.

Contributions – Contributions consist principally of donations from individuals, corporations and other organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued):

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Treatment Fees – Treatment Fees are fees collected from patients and third-party payors, which are recognized as revenues when services are rendered. These fees include retroactive adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. For the years ended June 30, 2010 and 2009, revenue adjustments received by the Organization was \$69,941 and \$33,197, respectively.

Donated Services – The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with various committee assignments. The services of volunteers, while often significant in value, do not meet the criteria for financial statement recognition and accordingly are not recorded on these financial statements.

Functional Expenses – 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.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fundraising Costs – Fundraising costs are generally recorded as expenses when the fund raising event takes place, which include costs associated with marketing, special events and grant writing. Such costs totaled \$145,486 and \$112,351 for the years ended June 30, 2010 and 2009, respectively. Of these amounts, \$17,771 and \$25,132 was related to special events for the years ended June 30, 2010 and 2009, respectively.

Advertising Costs – Advertising costs are expensed as incurred. Advertising expense was \$8,059 and \$1,982 for the years ended June 30, 2010 and 2009, respectively.

Income Tax Status – AACI is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. AACI has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). AACI is exempt from California franchise taxes under Section 23701 of the California Revenue and Taxation Code. Income from unrelated business activities related to the rental of certain debt financed property to nonqualifying organizations is subject to income taxes.

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class as required by US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2009, from which the summarized information was derived.

Reclassifications – Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 financial statements presentation. The reclassifications have no effect on previously reported statement of activities and changes in net assets.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 3 – CONCENTRATION

Financial instruments which potentially subject AACI to credit risks consist of cash and cash equivalents with high credit quality financial institutions. Cash and cash equivalents on deposits with financial institutions are guaranteed by Federal Deposit Insurance Corporation up to \$250,000 for all cash accounts with each financial institution as of both June 30, 2010 and 2009. At various times during the year ended June 30, 2010 and 2009, AACI had cash balances in excess of the insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash and cash equivalents.

During the years ended June 30, 2010 and 2009, approximately 37% and 49% of the Organization's revenues were derived from government grants.

NOTE 4 – PROMISES TO GIVE

At June 30, unconditional promises to give consisted of the following:

	<u>2010</u>	<u>2009</u>
Unrestricted:		
AACI's Hope Society	\$ 141,900	\$ 137,519
Temporarily Restricted:		
Center for Addiction Recovery Empowerment	<u>2,000,000</u>	<u>-</u>
Total Promises To Give	<u>2,141,900</u>	<u>137,519</u>
Less – Allowance for Uncollectible Promises to Give		
– Discount to Net Present Value	28,000	20,628
	<u>73,412</u>	<u>-</u>
	<u>101,412</u>	<u>20,628</u>
Promises to Give, Net	<u>\$ 2,040,488</u>	<u>\$ 116,891</u>

At June 30, scheduled unconditional promises to give are due as follows:

	<u>2010</u>	<u>2009</u>
Receivable in Less Than One Year	\$ 815,385	\$ 48,730
Receivable in One to Five Years	<u>1,326,515</u>	<u>88,789</u>
	<u>\$ 2,141,900</u>	<u>\$ 137,519</u>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 5 – PROPERTY AND EQUIPMENT

At June 30, property and equipment consisted of the following:

	2010	2009
Land and Building	\$ 4,842,525	\$ 4,842,525
Building Improvements	5,126,935	4,960,763
Machinery and Equipment	552,143	523,005
Furniture and Fixtures	255,260	255,260
Donated Equipment	142,304	142,304
	10,919,167	10,723,857
Less – Accumulated Depreciation	6,815,038	6,272,092
	<u>\$ 4,104,129</u>	<u>\$ 4,451,765</u>

Depreciation expense was \$542,946 and \$485,844 for the years ended June 30, 2010 and 2009, respectively. Of these amounts, \$119,217, for the years ended June 30, 2010 and 2009, is classified as amortization expense on the accompanying schedules of functional expenses.

NOTE 6 – CAPITAL LEASES

AACI is the lessee of various improvements, computers and equipment under capital leases expiring in various years through 2011. The assets and liabilities under capital leases are recorded at present value of the minimum lease payments of the assets discounted at implicit interest rates ranging from 6.875% to 11.719%. The assets are depreciated using the straight-line method over 5 years.

At June, 30, property held under capital leases consisted of the following:

	2010	2009
Furniture and Fixtures	\$ 185,800	\$ 185,800
Building Improvements	133,096	133,096
	318,896	318,896
Less – Accumulated Depreciation	315,478	307,275
	<u>\$ 3,418</u>	<u>\$ 11,621</u>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 6 – CAPITAL LEASES (Continued)

Depreciation expense totaled \$8,203 and \$26,873 for the years ended June 30, 2010 and 2009, respectively, which is included in the total depreciation expense on the accompanying schedules of functional expenses. Interest expense related to capital leases was \$1,191 and \$2,648 for the years ended June 30, 2010 and 2009, respectively, which is included in the total interest expense on the accompanying schedules of functional expenses.

Future minimum lease payment for the fiscal year ending June 30, 2011 is \$4,438.

NOTE 7 – UNAMORTIZED DEBT ISSUANCE COSTS

Debt issuance costs are amortized ratably over the life of the long-term debt which will mature on October 1, 2012. At June 30, the balance of unamortized debt issuance costs consisted of the following:

	<u>2010</u>	<u>2009</u>
Debt Issuance Costs	\$ 227,440	\$ 227,440
Less – Accumulated Amortization	<u>176,266</u>	<u>153,522</u>
	51,174	73,918
Less – Current Portion	<u>22,744</u>	<u>22,744</u>
	<u>\$ 28,430</u>	<u>\$ 51,174</u>

Amortization expense totaled \$22,744 for the years ended June 30, 2010 and 2009, which is included in the total amortization expense on the accompanying schedules of functional expenses.

NOTE 8 – LINES OF CREDIT

AACI has a \$100,000 revolving line of credit with a bank, which bears interest at the bank's prime rate plus 2% (5.25% at June 30, 2010 and 2009) and expiring on December 14, 2010. This obligation is unsecured.

AACI has a \$400,000 revolving line of credit with a bank, which bears interest at the bank's prime rate plus 1% (4.25% at June 30, 2010 and 2009, respectively) and expiring on February 11, 2011. This obligation is unsecured.

At June 30, 2010 and 2009, there were no outstanding borrowings under these lines of credit.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9 – ACCRUED EXPENSES

At June 30, accrued expenses consisted of the following:

	<u>2010</u>	<u>2009</u>
Accrued Vacation	\$ 223,542	\$ 195,010
Accrued Retirement Contribution	57,905	109,625
Accrued Salaries	49,317	43,419
Accrued Interest	30,450	31,260
Other	<u>169,881</u>	<u>117,259</u>
Total	<u>\$ 531,095</u>	<u>\$ 496,573</u>

NOTE 10 – LONG-TERM DEBT

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

	<u>2010</u>	<u>2009</u>
A note payable with a bank which bears interest at 7% due in monthly principal and interest payments of \$44,133 with the balance due October 1, 2012. This term loan is secured by real property.	\$ 5,219,956	\$ 5,358,875
A note payable with the City of San Jose, California, non-interest bearing, due in monthly principal payments of \$1,042 with the balance due June 1, 2010. This note is secured by real property.	<u>-</u>	<u>11,458</u>
	5,219,956	5,370,333
Less – Current Maturities	<u>149,106</u>	<u>150,377</u>
Total	<u>\$ 5,070,850</u>	<u>\$ 5,219,956</u>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 10 – LONG-TERM DEBT (Continued)

The principal repayment schedule is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 149,106
2012	159,056
2013	<u>4,911,794</u>
Total	<u>\$ 5,219,956</u>

Interest expense totaled \$375,898 and \$384,634, for the years ended June 30, 2010 and 2009, respectively, and is included in the total interest expense on the accompanying schedules of functional expenses.

Pursuant to the note payable with the bank, cash is held in escrow for the payment of property taxes, hazard insurance, and other building related expenses. \$190,000 out of \$208,316 is held for additional security purposes of the debt for the year ended June 30, 2010.

NOTE 11 – COMMITMENTS

The Organization has various non-cancelable operating agreements for the lease of various office equipment and certain facilities with expiration dates through March 2014.

Future minimum payments under these leases are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 17,613
2012	12,532
2013	5,739
2014	<u>2,349</u>
Total	<u>\$ 38,233</u>

Rental expense totaled \$89,463 and \$86,362, for the years ended June 30, 2010 and 2009 respectively, which is included in the occupancy and equipment rent/lease expenses on the accompanying schedules of functional expenses.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 12 – CONTINGENCIES

The Organization participates in a number of federally assisted grant programs which are subject to financial and compliance audits by the U.S. federal agencies or their representations. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

NOTE 13 – UNRESTRICTED BOARD DESIGNATED NET ASSETS

The Board of Directors of the Organization has full authority and plenary power to manage, invest and reinvest any principal or income of the fund. The Board of Directors designated various reserves for operating shortfalls, capital expenditures or replacements costs and/or expansion programs. These reserves are deposited in a financial institution in the form of cash and equivalents and money market fund.

At June 30, 2010 and 2009, the unrestricted board designated net assets were \$3,014,599 and \$2,406,698, respectively.

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, temporarily restricted net assets consisted of funds to be used for the following purposes:

	<u>2010</u>	<u>2009</u>
Center for Addiction Recovery Empowerment	\$ 2,771,268	\$ -
Health Services	212,500	243,333
Senior and Youth Community Program	139,185	150,000
Mental Health Services	64,297	59,565
Domestic Violence Services	48,167	124,942
Other	10,500	-
Advocacy	-	46,616
	<u>-</u>	<u>46,616</u>
Total	<u>\$ 3,245,917</u>	<u>\$ 624,456</u>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

During the years ended June 30, 2010 and 2009, the following were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors:

	<u>2010</u>	<u>2009</u>
Health Services	\$ 180,833	\$ 205,833
Center for Addiction Recovery Empowerment	155,320	-
Domestic Violence Services	107,775	67,372
Mental Health Services	93,268	58,435
Senior and Youth Community Program	90,000	67,596
Advocacy	46,616	3,384
Other	<u>19,500</u>	<u>19,994</u>
Total	<u>\$ 693,312</u>	<u>\$ 422,614</u>

NOTE 15 – DONATED GOODS AND SERVICES

A substantial number of unpaid volunteers have made significant contributions of time to AACI. For the years ended June 30, 2010 and 2009, volunteers donated 2,607 and 2,438 hours, respectively, to AACI activities.

Contributed goods are included in the financial statements at their fair value where an objective basis of measurement is available. Such donated goods for the years ended June 30, 2010 and 2009 were reported as contributions of \$52,981 and \$20,319, respectively, with offsetting expenses recorded.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 16 – BUILDING RENTAL INCOME

AACI leases a portion of its office building to various not-for-profit county agencies and other commercial organizations. The leases expire on various dates through 2016. AACI is responsible for all operating and maintenance expenses and other costs of ownership of the facility.

Future minimum rental income under these leases is as follows:

<u>Year Ending June 30,</u>	
2011	\$ 1,965,890
2012	1,931,016
2013	1,941,829
2014	1,975,851
2015	72,732
Thereafter	<u>51,184</u>
Total	<u>\$ 7,938,502</u>

Rental income was \$1,987,492 and \$1,966,198, for the years ended June 30, 2010 and 2009, respectively.

NOTE 17 – INCOME TAXES

As discussed in Note 16, AACI leases a portion of its building to various business entities and as a result generates unrelated business income which is taxable at the regular corporate income tax rate.

The provision for income taxes for the years ended June 30, consisted of the following:

	<u>2010</u>	<u>2009</u>
Federal	\$ 5,341	\$ 12,310
State	3,382	6,356
Total	<u>\$ 8,723</u>	<u>\$ 18,666</u>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 18 – 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 AACI are eligible to participate in the plan. AACI contributes an amount up to 1.5% 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, 2010 and 2009, AACI contributed \$57,905 and \$109,625 to the plan, respectively, and is included in the employee benefits on the accompanying schedules of functional expenses.

NOTE 19 – SUBSEQUENT EVENTS

AACI has evaluated subsequent events through October 20, 2010, 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, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
<b>United States Department of Health and Human Services:</b>			
United States Department of Health and Human Services:			
Administration for Children and Families			
Assistance for Torture Victims			
(9/30/08 to 9/29/09)			
	93.604	ZT0068	\$ 96,971
United States Department of Health and Human Services:			
Administration for Children and Families			
Assistance for Torture Victims			
(9/30/09 to 9/29/10)			
	93.604	ZT0084	291,208
United States Department of Health and Human Services:			
Domestic Violence Program			
(9/30/09 to 2/28/11)			
	93.647	90XP0317/01	48,401
United States Department of Health and Human Services:			
Asian & Pacific Islander Wellness Center			
HIV-Sangam Project			
(9/1/08 to 8/31/10)			
	93.006	TACMP05000 6-04-00	32,283
Pass-Through: The State of California Governor's			
Office of Emergency Services			
Domestic Violence Assistance Program			
(7/1/09 to 6/30/10)			
	93.671	DV09171471	63,330
Administration on Aging:			
Pass-Through: Council on Aging Santa Clara County			
Senior Nutrition Program			
(7/01/09 to 6/30/10)			
	93.045	N/A	54,233
Department of Alcohol and Drug Services:			
Pass-Through: Santa Clara Valley Health & Hospital			
System			
SAPT Prevention Substance and Abuse			
(7/01/09 to 6/30/10)			
	93.959	N/A	75,000
Administration on Aging:			
Pass-Through: Council on Aging Santa Clara County			
Special Programs for the Aging-Title III, Part C,			
Senior Nutrition Program			
(7/01/09 to 6/30/10)			
	93.044	N/A	10,000

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
<b>United States Department of Justice:</b>			
California Emergency Management Agency Pass-Through: State of California Domestic Violence Assistance Program (7/1/09 to 6/30/10)	16.575	DV09171471	\$ 68,036
California Emergency Management Agency Pass-Through: State of California Domestic Violence Assistance Program (7/1/09 to 6/30/10)	16.588	DV09171471	16,069
California Emergency Management Agency Pass-Through: State of California Domestic Violence Assistance Program (7/1/09 to 12/31/09)	16.588	DR09011471	19,360
Pass-Through: Santa Clara County Asian Law Alliance Legal Assistance for Victims (10/1/08 to 6/30/10)	16.524	2008-WL-AX- 0064	118,686
Morgan Hill Police Dept. Grant to Encourage Arrest Policies (9/1/08 to 8/31/10)	16.590	2008-WE-AX- 0036	83,796
Housing Department: San Jose City Emergency Shelter Grant (7/1/09 to 6/30/10)	14.231	ESG	60,292
<b>United States Department of Homeland Security:</b>			
U.S. Department of Homeland Security: Pass-Through: Federal Emergency Management Agency Shelter Fund (10/1/09-9/30/10)	97.024	N/A	5,000
Total Federal Funds Expended			<u>\$ 1,042,665</u>

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2010

Basis of Presentation – The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting, which is the same basis of accounting used in the preparation of the financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and agrees with the amounts presented in the financial statements.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

STATEMENT OF COMPLIANCE  
UNITED NATIONS GRANT

January 1, 2009 through December 31, 2009

TOTAL EXPENDITURES FOR ASSISTANCE TO VICTIMS OF TORTURE		
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009	\$	88,511
AMOUNT OF UNITED NATIONS GRANT EXPENDED		<u>85,000</u>
EXPENDITURES COVERED BY OTHER GRANTS	\$	<u>3,511</u>

NOTE: The Asian Americans for Community Involvement of Santa Clara County, Inc. received a grant from the United Nations Voluntary Fund for Victims of Torture (“UNVFVT”) in the amount of \$85,000. The purpose of this grant is to assist victims of torture and members of their family.

This grant has been fully spent in accordance with the purpose, budget and conditions approved by the UNVFVT Board of Trustees, during the period ended January 1, 2009 through December 31, 2009.



## SHEA LABAGH DOBBERSTEIN

*Certified Public Accountants, Inc.*

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

TO THE AUDIT COMMITTEE  
THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

We have audited the financial statements of THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC. hereinafter, "AACI" as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AACI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AACI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AACI's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of AACI's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of AACI in a separate letter dated October 20, 2010.

This report is intended solely for the information and use of the audit committee, management, Board of Directors of AACI, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SHEA LABAGH DOBBERSTEIN  
Certified Public Accountants, Inc.

A handwritten signature in black ink that reads "Shea Labagh Dobberstein". The signature is written in a cursive, flowing style.

October 20, 2010



## SHEA LABAGH DOBBERSTEIN

*Certified Public Accountants, Inc.*

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

THE AUDIT COMMITTEE OF  
THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.:

Compliance

We have audited THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.'s (a nonprofit organization) hereinafter, "AACI", compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. AACI's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of AACI's management. Our responsibility is to express an opinion on AACI's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 direct and material effect on a major federal program identified in the accompanying schedule of finding and questioned costs occurred. An audit includes examining, on a test basis, evidence about AACI'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. Our audit does not provide a legal determination of AACI's compliance with those requirements.

In our opinion, AACI complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

## Internal Control Over Compliance

Management of AACI is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered AACI's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 AACI'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 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.

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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the audit committee, management, Board of Directors of AACI, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SHEA LABAGH DOBBERSTEIN  
Certified Public Accountants, Inc.



October 20, 2010

OTHER INDEPENDENT AUDITORS' REPORT

## FINDINGS AND RECOMMENDATIONS

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.
2. No reportable conditions in internal control and no material weaknesses relating to the audit of the financial statements were noted in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 expressed an unqualified opinion on compliance for all of THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC.'s major federal programs.
6. The programs tested as major federal programs include the following:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
United States Department of Health and Human Services: Administration for Children and Families Assistance for Torture Victims	93.604	\$ <u>338,179</u>

7. The threshold used for distinguishing between Type A and B programs was \$300,000.
8. THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC. was determined to qualify as a low-risk auditee.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2010

FINDINGS-FINANCIAL STATEMENTS

No financial statements findings were noted.

FINDINGS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings were noted.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT  
OF SANTA CLARA COUNTY, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

No findings were noted.