



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

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

June 30, 2017 and 2016

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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, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Asian Americans for Community Involvement of Santa Clara County, Inc., as of June 30, 2017, 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 Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited The Asian Americans for Community Involvement of Santa Clara County, Inc.’s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent in all material respects with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017, on our consideration of The Asian Americans for Community Involvement of Santa Clara County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Asian Americans for Community Involvement of Santa Clara County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Asian Americans for Community Involvement of Santa Clara County, Inc.'s internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
November 16, 2017

Financial Statements

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Statements of Financial Position
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,279,621	\$ 3,756,026
Grants receivable, net - current	1,888,703	3,161,221
Patient accounts receivable, net of allowance for doubtful accounts of \$3,264 and \$3,587, respectively	75,829	59,563
Promises to give	-	4,500
Other receivables	27,398	10,531
Prepaid expenses	171,106	237,598
Total current assets	<u>7,442,657</u>	<u>7,229,439</u>
Property, buildings, and equipment, net of accumulated depreciation	5,322,948	5,268,986
Grants receivable, net, less current portion	68,255	157,584
Deposits	17,826	17,390
Total assets	<u>\$ 12,851,686</u>	<u>\$ 12,673,399</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 263,199	\$ 161,006
Accrued expenses	1,071,117	819,043
Deferred revenue	303,082	216,033
Current portion of capital lease	18,470	-
Current portion of long-term debt	109,508	106,451
Total current liabilities	<u>1,765,376</u>	<u>1,302,533</u>
Capital lease, less current portion	65,453	-
Long-term debt, less current portion	<u>2,313,144</u>	<u>2,339,457</u>
Total liabilities	<u>4,143,973</u>	<u>3,641,990</u>
Net assets		
Unrestricted net assets		
Undesignated	5,653,803	6,004,680
Board designated	3,014,599	3,014,599
Total unrestricted net assets	<u>8,668,402</u>	<u>9,019,279</u>
Temporarily restricted net assets	<u>39,311</u>	<u>12,130</u>
Total net assets	<u>8,707,713</u>	<u>9,031,409</u>
Total liabilities and net assets	<u>\$ 12,851,686</u>	<u>\$ 12,673,399</u>

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUES				
Support				
Contracts and grants	\$ 9,415,804	\$ 30,000	\$ 9,445,804	\$ 9,157,716
Contributions	1,341,432	-	1,341,432	1,050,486
Special events	159,630	-	159,630	308,128
Total support	<u>10,916,866</u>	<u>30,000</u>	<u>10,946,866</u>	<u>10,516,330</u>
Revenues				
Patient service revenue, net	2,222,013	-	2,222,013	2,282,146
Provision for bad debts	<u>-</u>	<u>-</u>	<u>-</u>	<u>(265,793)</u>
Net patient service revenues less provision for bad debts	2,222,013	-	2,222,013	2,016,353
Building rental income	2,332,455	-	2,332,455	2,344,076
Investment income	14,458	-	14,458	4,594
Other revenue	48,120	-	48,120	51,800
Net assets released from restrictions	<u>2,819</u>	<u>(2,819)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>15,536,731</u>	<u>27,181</u>	<u>15,563,912</u>	<u>14,933,153</u>
EXPENSES				
Program services	11,564,977	-	11,564,977	10,801,258
Supporting services				
Management and general	2,988,160	-	2,988,160	2,596,788
Fiscal sponsorship	<u>620</u>	<u>-</u>	<u>620</u>	<u>12,823</u>
Total supporting services	2,988,780	-	2,988,780	2,609,611
Building expenses	<u>1,333,851</u>	<u>-</u>	<u>1,333,851</u>	<u>1,395,973</u>
Total expenses	<u>15,887,608</u>	<u>-</u>	<u>15,887,608</u>	<u>14,806,842</u>
CHANGE IN NET ASSETS	(350,877)	27,181	(323,696)	126,311
NET ASSETS, beginning of year	<u>9,019,279</u>	<u>12,130</u>	<u>9,031,409</u>	<u>8,905,098</u>
NET ASSETS, end of year	<u>\$ 8,668,402</u>	<u>\$ 39,311</u>	<u>\$ 8,707,713</u>	<u>\$ 9,031,409</u>

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Statements of Functional Expenses
Year Ended June 30, 2017**

	Program Services				Support Services			Building	Total
	Physical Health	Behavioral Health	Wellness and Others	Total	Management and General	Fiscal Sponsorship	Total		
Expenses									
Personnel expenses	\$ 2,845,694	\$ 4,760,288	\$ 1,288,029	\$ 8,894,011	\$ 1,986,687	\$ -	\$ 1,986,687	\$ 380,916	\$ 11,261,614
Rents and leases	78,465	174,459	51,569	304,493	53,708	620	54,328	4,280	363,101
Medical supplies	44,457	200	2,237	46,894	560	-	560	157	47,611
Professional fees	174,961	293,087	107,173	575,221	317,861	-	317,861	5,184	898,266
Office supplies	35,101	54,476	86,071	175,648	109,945	-	109,945	32,548	318,141
Depreciation	131,987	58,069	8,296	198,352	32,471	-	32,471	203,224	434,047
Insurance	23,549	18,721	6,298	48,568	51,289	-	51,289	53,059	152,916
Membership fees and publications	19,150	19,940	1,580	40,670	55,931	-	55,931	1,150	97,751
Utilities and communication	19,116	63,669	19,512	102,297	18,257	-	18,257	442,016	562,570
Repairs and maintenance	36,956	62,862	21,092	120,910	71,785	-	71,785	630,905	823,600
Meetings and trainings	34,394	21,138	35,216	90,748	124,502	-	124,502	1,800	217,050
Interest	-	-	-	-	-	-	-	112,037	112,037
Travel	10,941	69,274	70,441	150,656	59,860	-	59,860	1,100	211,616
Property taxes	-	4,678	-	4,678	315	-	315	28,020	33,013
Other	78,884	160,348	49,145	288,377	(37,480)	-	(37,480)	103,378	354,275
Total functional expenses before allocations	3,533,655	5,761,209	1,746,659	11,041,523	2,845,691	620	2,846,311	1,999,774	15,887,608
Building expenses - allocated	216,974	166,565	139,915	523,454	142,469	-	142,469	(665,923)	-
Total functional expenses	\$ 3,750,629	\$ 5,927,774	\$ 1,886,574	\$ 11,564,977	\$ 2,988,160	\$ 620	\$ 2,988,780	\$ 1,333,851	\$ 15,887,608
Percentage of total	23.6%	37.3%	11.9%	72.8%	18.8%	0.0%	18.8%	8.4%	100.0%

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Statements 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	22.3%	38.6%	12.0%	72.9%	17.5%	0.1%	17.6%	9.4%	100.0%

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Statements of Cash Flows
Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (323,696)	\$ 126,311
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities		
Depreciation	434,047	728,397
Amortization	83,531	83,531
Provision for doubtful accounts	-	265,793
Change in operating assets and liabilities		
Patient accounts receivable, net	(16,266)	30,072
Grants receivable, net	1,361,847	(1,393,957)
Promises to give	4,500	327,994
Other receivables	(16,867)	(9,615)
Prepaid expenses	66,492	(56,899)
Deposits	(436)	(1,790)
Accounts payable	102,193	(446,580)
Accrued expenses	252,074	(75,914)
Deferred revenue	87,049	54,237
Net cash provided by (used in) operating activities	<u>2,034,468</u>	<u>(368,420)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, buildings, and equipment	<u>(388,214)</u>	<u>(308,472)</u>
Net cash used in investing activities	<u>(388,214)</u>	<u>(308,472)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on capital lease	(15,872)	-
Principal repayments on long-term debt	<u>(106,787)</u>	<u>(378,820)</u>
Net cash used in financing activities	<u>(122,659)</u>	<u>(378,820)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,523,595	(1,055,712)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,756,026</u>	<u>4,811,738</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,279,621</u>	<u>\$ 3,756,026</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Noncash financing of property and equipment	<u>\$ (99,795)</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 112,037</u>	<u>\$ 114,021</u>

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

NOTE 1 – DESCRIPTION OF ORGANIZATION AND PROGRAM SERVICES

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

AACI 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.

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

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

Wellness and Others:

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summarized financial information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient information to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements as of June 30, 2016.

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, 2017 and 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.

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

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, 2017 and 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, buildings, and equipment, net – Property, buildings, and equipment are recorded at cost or estimated fair value for donated items. The Organization capitalizes all acquisitions greater than \$5,000 and with an economic useful life greater than one year. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 39 years. Depreciation is charged to the activity benefiting from the use of the property or equipment. Donated assets are recorded at their fair market value at the time the contributed asset is received. The Organization periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset. No asset impairment was recognized during the years ended June 30, 2017 and 2016.

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.

Contracts and grants – Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. During the years ended June 30, 2017 and 2016, approximately 61% of the Organization's support and revenue were derived from government contracts and grants. At June 30, 2017 and 2016, receivables from one government grantor represents 71% of grants receivable.

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

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

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

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

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

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, 2017 and 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, 2017 and 2016, the Organization had no permanently restricted net assets.

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

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, 2017 and 2016, materially approximate their carrying values (see Note 5).

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

Expense allocation – Expenses directly identifiable with programs are charged to program services based upon employee’s time for each function, purpose of each expenditure, and/or services provided for each program. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization. The costs of the Organization’s various activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses.

Income taxes – The Organization is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and have been granted tax-exempt statuses by the Internal Revenue Service and the California Revenue and Taxation Code. As of June 30, 2017 and 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 beginning July 1, 2016. Management has adopted guidance under ASU 2014-15. The adoption of ASU 2014-15 did not have a material impact on the Organization’s financial statements.

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to 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”), to simplify presentation of debt issuance costs. This update will require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The adoption of ASU 2015-03 is effective for the Organization beginning July 1, 2016. Management has adopted the guidance under ASU 2015-03. The application of ASU 2015-03 requires a retrospective approach (See Note 5).

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”), to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This update will address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The adoption of ASU 2016-01 is effective for the Organization beginning July 1, 2018. Management is currently evaluating the impact of the provisions of ASU 2016-01 on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* (“ASU 2016-14”), which improves the current net asset classification requirements and the information presented in financial statements and notes about an entity’s liquidity, financial performance, and cash flows. The update removes the requirement to present three classes of net assets with two classes, net assets with donor restrictions and net assets without donor restrictions. The update also removes the requirement to present or disclose the indirect method (reconciliation) if using the direct method for the statement of cash flows as well as added several additional enhanced disclosures to the financial statement notes. The adoption of ASU 2016-02 is effective for the Organization beginning July 1, 2018. Management is currently evaluating the impact of the provisions of ASU 2016-14 on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfied a performance obligation. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date* (“ASU 2015-14”), which deferred the effective date of ASU 2014-09 for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (“ASU 2016-08”), which clarifies the implementation guidance on principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, *Identifying Performance Obligations and Licensing* (“ASU 2016-10”), which clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance in ASU 2014-09, while retaining the related principles for those areas. In May 2016, the FASB issued ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients* (“ASU 2016-12”), which provides narrow-scope improvements and practical expedients to ASU 2014-09. ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 are effective for the Organization beginning July 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 on the financial statements.

The Asian Americans for Community Involvement of Santa Clara County, Inc. Notes to 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 2016-02 on the financial statements.

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

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

NOTE 3 – PROPERTY, BUILDINGS, AND EQUIPMENT, NET

Property, buildings, and equipment at June 30, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Land and building	\$ 5,013,820	\$ 5,013,820
Building improvements	6,216,425	5,869,158
Machinery and equipment	1,663,175	1,509,656
Furniture and fixtures	350,822	337,301
Donated equipment	142,304	142,304
Construction in progress	-	26,335
	<u>13,386,546</u>	<u>12,898,574</u>
Less: accumulated depreciation	<u>(8,063,598)</u>	<u>(7,629,588)</u>
Property, buildings, and equipment, net	<u>\$ 5,322,948</u>	<u>\$ 5,268,986</u>

Depreciation expense for the years ended June 30, 2017 and 2016, was \$434,047 and \$728,397, respectively.

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

The above machinery and equipment amount includes equipment under capital lease arrangement with cost basis of \$99,795 and \$0 at June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, accumulated amortization expense recorded for capital leases was \$16,587 and \$0, respectively.

NOTE 4 – ACCRUED EXPENSES

At June 30, 2017 and 2016, accrued expenses consisted of the following:

	<u>2017</u>	<u>2016</u>
Vacation accrual	\$ 287,944	\$ 257,986
Accrued retirement contribution	154,074	159,582
Accrued salaries	133,633	87,586
Amount due to third-party payor	326,099	170,108
Other	<u>169,367</u>	<u>143,781</u>
 Total accrued expenses	 <u>\$ 1,071,117</u>	 <u>\$ 819,043</u>

NOTE 5 – LONG-TERM DEBT

Debt issuance costs – Debt issuance costs are amortized over the life of the long-term debt using the effective interest method, which will mature on December 31, 2020. 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 No. 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the statements of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Prior to the issuance of ASU No. 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. ASU No. 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The standard requires retrospective application and represents a change in accounting principle. The Organization adopted the provisions of ASU No. 2015-03 as of July 1, 2016, and applied its provisions retrospectively. As a result of the retrospective adoption, the Organization reclassified unamortized debt issuance costs of \$375,887 at June 30, 2016, from debt issuance costs, net of accumulated amortization, to a direct reduction from the carrying amount of the loan payable in the accompanying statements of financial position. Adoption of this standard did not impact results of operations, changes in net assets, or cash flows in the current or previous reporting periods. Accumulated amortization of debt issuance costs was \$542,183 and \$458,652 at June 30, 2017 and 2016, respectively, while amortization expense was \$83,531 for the years ended June 30, 2017 and 2016, and included in other expenses on the accompanying statements of functional expenses. Future estimated aggregate amortization is \$292,356 through the date of maturity at June 30, 2017.

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

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

	<u>2017</u>	<u>2016</u>
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 estate property associated with the mortgage.	\$ 2,715,008	\$ 2,821,795
Unamortized portion of debt issuance costs	(292,356)	(375,887)
Current portion of long-term debt	<u>(109,508)</u>	<u>(106,451)</u>
Long-term debt, net of current portion	<u>\$ 2,313,144</u>	<u>\$ 2,339,457</u>

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

Year Ending June 30,

2018	\$ 109,508
2019	114,917
2020	119,143
2021	<u>2,371,440</u>
	<u>\$ 2,715,008</u>

Interest expense for the years ended June 30, 2017 and 2016, totaled \$112,037 and \$114,021, respectively.

There are certain financial covenants related to its long-term debt that the Organization was required to comply with. Management believes that the Organization was in compliance with these financial covenants as of and for the year ended June 30, 2017.

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

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the years ended June 30, 2017 and 2016, by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	<u>2017</u>	<u>2016</u>
Domestic violence services	\$ 2,819	\$ 94,562
Center for Addiction Recovery Empowerment	-	430,279
Health services	-	103,060
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
	<u>-</u>	<u>14,865</u>
Total net assets released from restrictions	<u>\$ 2,819</u>	<u>\$ 903,677</u>

NOTE 7 – BUILDING RENTAL INCOME

The Organization leases a portion of its office building to various nonprofit county agencies and other commercial organizations. The leases expire on various dates through 2022. 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:

Year Ending June 30,

2018	\$ 2,348,978
2019	2,385,935
2020	751,382
2021	210,697
2022	217,018
Thereafter	<u>36,346</u>
	<u>\$ 5,950,356</u>

Rental income for the years ended June 30, 2017 and 2016, was \$2,332,455 and \$2,344,076, respectively.

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

NOTE 8 – OPERATING LEASE COMMITMENTS

The Organization has various noncancelable operating agreements for the lease of certain facilities with expiration dates through 2019. Rental expense for the years ended June 30, 2017 and 2016, was \$223,382 and \$228,475, respectively, which is included in rents and leases expense on the accompanying statements of functional expenses.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 193,853
2019	<u>148,637</u>
	<u>\$ 342,490</u>

NOTE 9 – RETIREMENT PLAN

Under Section 403(b)(7) of the Internal Revenue Code of 1986, individual employees may establish a custodial agreement account for elective salary deferrals. The 403(b) defined contribution plan is based on compensation up to a specified limited amount. All full-time employees of the Organization are eligible to participate in the plan. The Organization contributes an amount up to 3% of the participant's annual salary, and may elect to make other voluntary contributions to the plan. Contributions are fully vested at the time of the contribution. Other voluntary contributions made by the employer vest in equal annual installments over four years commencing at the participant's hire date. During the years ended June 30, 2017 and 2016, the Organization contributed \$136,592 and \$140,086, respectively, to the plan, and these amounts are included in personnel expenses on the accompanying statements of functional expenses.

NOTE 10 – CONTINGENCIES

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

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

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

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

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 11 – HEALTH CARE REFORM

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

NOTE 12 – 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 16, 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, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Award Number	Award Period	Federal Expenditures
<i>U.S. Department of Health and Human Services</i>				
Direct Awards				
Assistance for Torture Victims	93.604	90ZT0160-01-01	9/30/15-9/29/18	\$ 346,666
Health Infrastructure Investment Program	93.526	C8DCS29763	5/1/16-4/30/19	142,912
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) - part of Health Center Program Cluster	93.224	6H80CS26615	3/1/16-2/29/19	1,029,954
Pass-through from Santa Clara County				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	4102910	7/1/15-/6/30/17	153,279
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	471,575
<i>Total U.S. Department of Health and Human Services</i>				<u>2,144,386</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	38,299
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	78,424
<i>Total U.S. Department of Justice</i>				<u>116,723</u>
<i>Office of Minority Health Resource Center</i>				
Pass-through from AMTIS-HeiTech LLC				
Services for HIV Health Information Campaigns	93.UNKNOWN	HHSP23320135003A	3/1/17-9/1/18	25,763
<i>Total expenditures of federal awards</i>				<u>\$ 2,286,872</u>

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

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, 2017. 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 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, 2017.

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, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

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*.

The Asian Americans for Community Involvement of Santa Clara County, Inc.'s Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 16, 2017

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, 2017. 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, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Moss Adams LLP

San Francisco, California
November 16, 2017

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

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

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

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

Finding 2017-001 – Reconciliation of Grant Revenue – Significant Deficiency

Criteria – Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958-605, *Not-for-Profit: Revenue Recognition*, establishes accounting standards for the recognition and measurement of grant revenue for not-for-profit, including assessment of the collectability of grant receivables.

Condition/Context – Grant revenue and grants receivable were not reconciled on a consistent or timely basis, resulting in certain grants receivable being inappropriately classified as outstanding when collections were received. The testing of grant revenue and grants receivable noted three instances out of a sample of 44 that were not appropriately recognized as revenue during the fiscal year, valued at \$37,000.

**The Asian Americans for Community Involvement of
Santa Clara County, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

Effect – Grant revenue was not appropriately recognized in accordance with generally accepted accounting principles during the fiscal year.

Cause – Grant revenue and grants receivable were not reconciled on a consistent or timely basis during the fiscal year, due to turnover in accounting department.

Recommendation – We recommend that the Organization’s management performs a detailed analysis and reconciliation of grant revenue billed and cash receipts on a monthly basis to ensure that grant revenue billing are appropriately recorded, and cash receipts are appropriately reconciled and applied to billings recorded.

Management’s response – Management agrees with the recommendation and has started implementing policies and procedures to perform detailed analysis and reconciliation of grant revenue billed and cash receipts on a monthly basis. This has been incorporated into the Organization’s financial close and reporting processes.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Name of Auditee: The Asian Americans for Community Involvement of Santa Clara County, Inc.

Period Covered by the Audit: July 1, 2015 to June 30, 2016

Name of Audit Firm: Moss Adams LLP

FINDING 2016-001 – Reporting – Significant Deficiency

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity – Program Name</i>	<i>Award Number</i>	<i>Award Year</i>	<i>Questioned Costs</i>
93.224	Consolidated Health Centers – U.S. Department of Human Services	H80CS266150208	2015-2016	None noted

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

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

Status of Finding: Fully corrected.


 Clayton Ng, Chief Financial Officer

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, 2017.

Response and Corrective Action Plan

Finding 2017-001

Reconciliation of Grant Revenue – Significant Deficiency

Response and Corrective Action Plan: Management agrees with the recommendation and has started implementing policies and procedures to perform detailed analysis and reconciliation of grant revenue billed and cash receipts on a monthly basis. This has been incorporated into the Organization's financial close and reporting processes.

Anticipated Completion Date: By December 31, 2017.

Responsible Person: Clayton Ng, Chief Financial Officer.

Sincerely,



Clayton Ng
Chief Financial Officer

