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

FINANCIAL STATEMENTS

Year Ended June 30, 2008
(With Summarized Comparative Totals for 2007)

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

Year Ended June 30, 2008
(With Summarized Comparative Totals for 2007)

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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. (a California not-for-profit corporation) as of June 30, 2008, and the related statements of activities and changes in net assets 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 2007 financial statements and, in our report dated October 31, 2007, 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 statements 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, 2008, 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 15, 2008, 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.

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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 Schedules of Functional Expenses and Statement of Compliance with the United Nations Grant are presented for purposes of additional analysis and are not a required part of the basic financial statements of THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC. 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SHEA LABAGH DOBBERSTEIN
Certified Public Accountants, Inc.

October 15, 2008

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT

OF SANTA CLARA COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 With Summarized Comparative Totals for 2007	Unrestricted	Temporarily Restricted	Total	2007
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 3,322,863	$ 172,411	$ 3,495,274	$ 2,699,106
Restricted Cash in Escrow	193,877	-	193,877	216,649
Grants Receivable	738,851	-	738,851	760,452
Accounts Receivable, Net	214,957	-	214,957	54,770
Prepaid Expenses	208,598	-	208,598	121,822
Prepaid Income Taxes	15,612	-	15,612	4,777
Investments	1,602	-	1,602	1,481
TOTAL CURRENT ASSETS	4,696,360	172,411	4,868,771	3,859,057
PROPERTY AND EQUIPMENT, Net	4,347,396	-	4,347,396	4,441,863
CAPITALIZED LEASE EQUIPMENT, Net	38,494	-	38,494	73,389
UNAMORTIZED DEBT ISSUANCE COSTS	96,662	-	96,662	119,406
DEPOSITS	3,829	-	3,829	5,579
TOTAL ASSETS	$ 9,182,741	$ 172,411	$ 9,355,152	$ 8,499,294
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	$ 390,645	$ -	$ 390,645	$ 172,826
Accrued Expenses	492,365	-	492,365	553,805
Tenant Security Deposits	14,991	-	14,991	25,394
Deferred Revenue	150,389	-	150,389	148,357
Current Maturities of Capital Lease Obligations	21,603	-	21,603	26,054
Current Maturities of Long-Term Debt	141,929	-	141,929	132,067
TOTAL CURRENT LIABILITIES	1,211,922	-	1,211,922	1,058,503
CAPITAL LEASE OBLIGATIONS, Net of Current Maturities Shown Above	14,222	-	14,222	35,825
LONG-TERM DEBT, Net of Current Maturities Shown Above	5,370,333	-	5,370,333	5,512,262
NET ASSETS				
Board Designated	589,929	-	589,929	589,929
Undesignated	1,996,335	172,411	2,168,746	1,302,775
TOTAL LIABILITIES AND NET ASSETS	$ 9,182,741	$ 172,411	$ 9,355,152	$ 8,499,294

See accompanying notes to financial statements.

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2008 With Summarized Comparative Totals for 2007	Unrestricted	Temporarily Restricted	Total	2007
REVENUES, GAINS AND OTHER SUPPORT				
Contracts and Grants	$ 5,733,476	$ 297,844	$ 6,031,320	$ 5,588,850
Contributions	73,958	-	73,958	38,104
Special Events, Net of Expenses of $89,277	78,852	-	78,852	79,377
Treatment Fees	2,017,463	-	2,017,463	1,397,020
Building Rental Income	1,929,482	-	1,929,482	1,865,262
Investment Income	93,612	-	93,612	36,077
Other Income	170,150	-	170,150	171,642
Net Assets Released From Restriction	324,818	(324,818)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	10,421,811	(26,974)	10,394,837	9,176,332
EXPENSES				
Program Services	7,961,551	-	7,961,551	6,952,231
Building	1,476,482	-	1,476,482	1,416,283
Fundraising	77,125	-	77,125	48,462
Supporting Services	-	-	-	9,432
TOTAL EXPENSES	9,515,158	-	9,515,158	8,426,408
CHANGES IN NET ASSETS BEFORE INCOME TAXES	906,653	(26,974)	879,679	749,924
INCOME TAXES	(13,708)	-	(13,708)	(29,425)
CHANGES IN NET ASSETS	892,945	(26,974)	865,971	720,499
NET ASSETS, Beginning of Year	1,693,319	199,385	1,892,704	1,172,205
NET ASSETS, End of Year	$ 2,586,264	$ 172,411	$ 2,758,675	$ 1,892,704

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2008 With Summarized Comparative Totals for 2007	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 865,971	$ 720,499
Adjustments to Reconcile Changes in Net Assets to Cash Provided by Operating Activities:		
Depreciation	473,754	431,910
Amortization of Debt Issuance Cost	22,744	22,744
Unrealized Gain on Investment	(121)	(509)
Decrease (Increase) in Assets:		
Grants Receivable	21,601	(18,685)
Accounts Receivable	(160,187)	43,398
Prepaid Expenses	(86,776)	(21,794)
Prepaid Income Taxes	(10,835)	74,453
Deposits	1,750	13,738
Increase (Decrease) in Liabilities:		
Accounts Payable	217,820	(3,492)
Accrued Expenses	(61,441)	61,326
Tenant Security Deposits	(10,403)	-
Deferred Revenue	2,032	4,049
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,275,909	1,327,637
NET CASH USED IN INVESTING ACTIVITY		
Payments for Purchases of Property and Equipment	(344,392)	(314,516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligations	(26,054)	(33,543)
Payments on Long-Term Debt	(132,067)	(124,918)
Restricted Cash in Escrow	22,772	106,180
NET CASH USED IN FINANCING ACTIVITIES	(135,349)	(52,281)
NET INCREASE IN CASH AND CASH EQUIVALENTS	796,168	960,840
CASH AND CASH EQUIVALENTS, Beginning of Year	2,699,106	1,738,266
CASH AND CASH EQUIVALENTS, End of Year	$ 3,495,274	$ 2,699,106

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT

OF SANTA CLARA COUNTY, INC.

STATEMENTS OF CASH FLOWS (Continued)

For The Year Ended June 30, 2008 With Summarized Comparative Totals for 2007	2008	2007
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year For Interest	$ 400,170	$ 409,446
Cash Paid During the Year For Taxes	24,543	20,750

See accompanying notes to financial statements.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT

OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 – THE 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 Accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – Accounting principles generally accepted in the United States of America 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.
>
> 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, 2008 and 2007.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Cash and Cash Equivalents – Cash and cash equivalents consists of commercial bank deposits available upon demand and money market fund deposits with original maturities of three months or less at the time of purchase.

Grants Receivable – Grants receivable include amounts due from various Federal, California and Santa Clara County agencies.

Receivables – Receivables are stated at the amount AACI expects to collect. Management's policy is to review accounts receivable periodically and to assess the probability of collection. When it is deemed probable that amounts are not collectible, an allowance for doubtful accounts is established with a corresponding charge to operations. As of June 30, 2008 and 2007, the allowance for doubtful accounts amounted to $17,000 in both years. Bad debts written off for the years ended June 30, 2008 and 2007 amounted to $12,173 and $7,646, respectively.

Investments – Investments with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recorded 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 and amortization are provided using the straight-line method over lives of the assets ranging 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 value or discounted estimates of future cash flows. The Organization has not identified any such impairment losses to date.

Deferred Revenue – Rents are received in advance from tenants and are recorded when received. Rentals received in advance are recorded as deferred revenue and recognized as income in the periods to which they apply.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Financial Instruments – The Organization's financial instruments include cash and cash equivalents, certificates of deposits, receivables, investments in marketable securities and accounts payable. The recorded values of cash and cash equivalents, certificates of deposits, receivables, investments in marketable securities and accounts payable approximate their fair values based on their short-term nature.

Advertising – Advertising costs are expensed as they are incurred and are presented on the accompanying schedules of functional expenses. Advertising expense was $13,016 and $9,934 for the years ended June 30, 2008 and 2007, respectively.

Recent Accounting Pronouncements – In September 2006, the Financial Accounting Standards Board ("FASB") issued the Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* ("FASB No. 157"). The new FASB rule defined fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FASB No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management is currently evaluating the impact, if any, FASB No. 157 will have on the statements of financial position and activities and changes in net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN No. 48"). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes.* FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In February 2008, the FASB deferred the effective date of FIN No. 48 for most non-public entities to periods beginning after December 15, 2007. Management is currently evaluating the impact, if any, adoption of FIN No. 48 will have on the Organization's financial statements.

Reclassifications – Certain prior year amounts were reclassified to conform to the presentation used in 2008. These reclassifications have no effect on net assets as previously reported.

NOTE 3 – CONCENTRATION OF CREDIT RISK

AACI has financial instruments, consisting of receivables, investments, certificates of deposit and money market funds with high credit quality financial institutions which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. These instruments are subject to normal market risk conditions, which potentially subject the Organization to concentration of credit risk. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE 4 – REVENUES

AACI raises funds from individual contributions, grants, treatment fees, building rental, and various fund-raising events. Grants are recorded as receivables and current support in the period made. Amounts for general or non-specific expenditures are recorded as income when received. Amounts restricted to specific purposes remain within the temporarily restricted fund until the restriction is fulfilled.

NOTE 4 – REVENUES (Continued)

Treatment Fees include Health Services billings which are reported at estimated net realizable amounts from patients, third-party payors, and other services rendered and include estimated retroactive revenue 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 year ended June 30, 2008, the Treatment Fees include an adjustment relating to Federally Qualified Health Center Medi-Cal increase in billing rates in the amount of $198,177.

NOTE 5 – FUND-RAISING ACTIVITIES

AACI incurs fund-raising costs associated with marketing and grant writing. Total fund-raising costs for the years ended June 30, 2008 and 2007 was $77,125 and $48,462, respectively.

NOTE 6 – DONATED GOODS AND SERVICES

A substantial number of unpaid volunteers have made significant contributions of time to AACI. For the years ended June 30, 2008 and 2007, volunteers donated 2,224 and 5,825 hours, respectively, to AACI activities.

Contributed goods and services are included in the financial statements at their fair value where an objective basis of measurement is available. Such donated goods and services for the years ended June 30, 2008 and 2007 were reported as contributions of $47,609 and $24,386, respectively, with offsetting expenses recorded.

NOTE 7 – RESTRICTED CASH IN ESCROW

Cash held in escrow is restricted in accordance with the terms of the mortgage debt in amounts as follows:

	2008	2007
Cash held in escrow (see Note 12)	$ 193,877	$ 216,649

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT

OF SANTA CLARA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 8 – INVESTMENTS

Investments are stated at fair value and consist of Corporate Stocks. Fair values and unrealized appreciation / depreciation at June 30 are summarized as follows:

	Cost	FMV	Accumulated Unrealized Gain
2007 Corporate Stocks	$ 967	$ 1,481	$ 514
2008 Corporate Stocks	$ 967	$ 1,602	$ 635

Net unrealized gains of $635 and $514 for the years ended June 30, 2008 and 2007, respectively, have been included in investment income on the accompanying statements of activities.

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2008	2007
Land and Building	$ 4,842,525	$ 4,842,525
Building Improvements	4,465,527	4,121,133
Machinery and Equipment	443,734	443,734
Furniture and Fixtures	239,555	239,555
Donated Equipment	142,304	142,304
	10,133,645	9,789,251
Less – Accumulated Depreciation	(5,786,249)	(5,347,388)
Total	$ 4,347,396	$ 4,441,863

Depreciation expense for the years ended June 30, 2008 and 2007 totaled $438,859 and $397,088, respectively. Of these amounts, $119,217, for the years ended June 30, 2008 and 2007, is classified as amortization expense on the accompanying schedules of functional expenses.

NOTE 10 – 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 asset discounted at implicit interest rates ranging from 6.875% to 11.719%. The assets are depreciated using the straight-line method over 5 years.

Following is a summary of property held under capital leases at June 30:

	2008	2007
Furniture and Fixtures	$ 234,499	$ 234,499
Building Improvements	84,397	84,397
	318,896	318,896
Less – Accumulated Depreciation	(280,402)	(245,507)
Total	$ 38,494	$ 73,389

Depreciation expense for the years ended June 30, 2008 and 2007 totaled $34,895 and $34,822, respectively, which is included in the total depreciation expense on the accompanying schedules of functional expenses. Total interest expense related to capital leases was $4,919 and $7,637 for the years ended June 30, 2008 and 2007, respectively, which is included in the total interest expense on the accompanying schedules of functional expenses.

Minimum future lease payments together with the present value of the net minimum lease payments as of June 30 are as follows:

June 30,	Current	Long-Term	Total
2009	$ 24,307	$ -	$ 24,307
2010	-	10,975	10,975
2011	-	4,573	4,573
2012	-	-	-
Total Minimum Lease Payments	-	15,548	39,855
Less – Amount Representing Interest	(2,704)	(1,326)	(4,030)
Present Value of Net Minimum Lease Payment	$ 21,603	$ 14,222	$ 35,825

NOTE 11 – UNAMORTIZED DEBT ISSUANCE COSTS

Debt issuance costs are amortized ratably over the life of the long-term debt. The balance of unamortized debt issuance costs at June 30 are as follows:

	2008	2007
Debt Issuance Costs	$ 227,440	$ 227,440
Accumulated Amortization	(130,778)	(108,034)
Total	$ 96,662	$ 119,406

Amortization expense for the years ended June 30, 2008 and 2007 totaled $22,744 for both years, which is included in the total amortization expense on the accompanying schedules of functional expenses.

NOTE 12 – 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% (7% and 10.25% at June 30, 2008 and 2007, respectively) and expires December 21, 2008. This obligation is unsecured.

AACI has a $250,000 revolving line of credit with a bank, which bears interest at the bank's prime rate plus 1.25% (6.25% and 9.5% at June 30, 2008 and 2007, respectively) and expires June 9, 2009. This obligation is unsecured.

At June 30, 2008 and 2007, there were no outstanding borrowings under these lines of credit.

NOTE 13 – ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30:

	2008	2007
Interest	$ 32,015	$ 32,713
Retirement Contribution	85,511	74,846
Salaries	52,449	26,634
Vacation	180,496	138,395
Other Expenses	141,894	281,217
Total	$ 492,365	$ 553,805

NOTE 14 – DEFERRED REVENUE

Deferred revenue at June 30, 2008 and 2007 consisted of rents received in advance by tenants. The total amounts received in advance at June 30, 2008 and 2007 were $150,389 and $148,357, respectively.

NOTE 15 – COMMITMENTS

As of June 30, 2008, AACI has entered into various non-cancelable operating agreements for the lease of various pieces of office equipment and two facilities with expiration dates through 2011.

The total minimum future payments under the leases are as follows:

Year Ending June 30,	
2009	$ 77,596
2010	32,496
2011	3,234
2012	256
Total	$ 113,582

The rental expense for the years ended June 30, 2008 and 2007 totaled $82,981 and $80,891, 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, 2008

NOTE 16 – LONG-TERM DEBT

AACI has the following long-term debt outstanding at June 30:

	2008	2007
A note payable with a bank which bears interest at 7% due in monthly principal and interest payments of $42,902 with the balance due October 1, 2012. This term loan is secured by real property.	$ 5,488,304	$ 5,607,871
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.	23,958	36,458
	5,512,262	5,644,329
Less - Current Maturities	(141,929)	(132,067)
Total	$ 5,370,333	$ 5,512,262

The principal repayment schedule is as follows:

Year ending June 30,	Amount
2009	$ 141,929
2010	150,377
2011	149,106
2012	159,056
Thereafter	4,911,794
Total	$ 5,512,262

Total interest expense was $394,554 and $401,744, respectively, for the years ended June 30, 2008 and 2007.

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 $193,877 is held for additional security purposes of the debt for the year ended June 30, 2008. (See Note 7.)

NOTE 17 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 consisted of funds to be used for the following purposes:

	2008	2007
Mental Health Services	$ 30,000	$ 20,000
Domestic Violence Services	45,655	41,475
Senior & Health Services	17,596	6,250
Substance Abuse Services	19,994	19,994
Health Services	59,166	111,666
Total	$ 172,411	$ 199,385

The Board of Directors of the Organization have full authority and plenary power to manage, invest and reinvest any principal of the fund and any increases or accumulations to it and any income from it; however, the Board has a fiduciary duty to maintain the principal of the fund. The Board's policy is to release annual interest, dividend and capital gain income for use in general operations.

NOTE 18 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions for the following programs by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors during the years ended June 30, 2008 and 2007, respectively.

	2008	2007
Mental Health Services	$ 50,000	$ 32,375
Domestic Violence Services	101,068	70,402
Senior & Health Services	6,250	70,440
Health Services	167,500	124,050
Total	$ 324,818	$ 297,267

NOTE 19 – 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.

The total minimum future rental income under the leases is as follows:

Year Ending June 30,	
2009	$ 1,935,293
2010	1,971,904
2011	2,009,260
2012	2,047,381
2013	2,086,279
Total	$ 10,050,117

The rental income for the years ended June 30, 2008 and 2007 was $1,929,482 and $1,865,262, respectively.

NOTE 20 – INCOME TAXES

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.

At June 30, the provision for income taxes consisted of the following:

	2008	2007
Federal	$ 8,703	$ 20,802
State	5,005	8,623
Total	$ 13,708	$ 29,425

NOTE 21 – 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 will contribute an amount up to 3% of the participant's annual salary, and may elect to make other voluntary contributions to the plan. Employee and employer (up to 3% amount) 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, 2008 and 2007, AACI contributed approximately $85,511 and $75,046 to the plan, respectively, and is included in the employee benefits on the accompanying schedules of functional expenses.

NOTE 22 – ALLOCATION OF CERTAIN EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis on the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SUPPLEMENTAL SCHEDULE

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT
OF SANTA CLARA COUNTY, INC
SCHEDULES OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2008 With Summarized Comparative Totals for 2007

	Program Services												
	Mental Health Services	Domestic Violence Services	Senior & Health Services	Substance Abuse Services	Youth Services	Health Services	Advocacy	Total	Building	Supporting Services	Fund-Raising	2008	2007
Salaries	$ 1,410,964	$ 524,412	$ 189,514	$ 1,143,812	$ 88,738	$ 804,591	$ 32,246	$ 4,194,277	$ 200,323	$ 567,382	$ 53,465	$ 5,015,447	$ 4,225,107
Employee Benefits	199,652	87,935	37,683	147,810	15,571	86,477	5,283	580,411	36,172	98,343	7,924	722,850	707,616
Interest Expense	-	-	-	-	-	-	-	-	396,187	3,286	-	399,473	409,381
Repair & Maintenance	108,929	15,206	136	25,124	-	10,090	-	159,485	227,866	2,249	-	389,600	269,561
Payroll Tax	107,074	37,343	14,263	81,068	6,735	55,087	2,467	304,037	15,223	43,578	4,090	366,928	305,719
Depreciation	15,659	12,058	1,261	8,356	677	47,127	261	85,399	266,324	2,531	283	354,537	312,693
Utilities	1,368	9,595	-	2,975	-	-	-	13,938	308,332	-	-	322,270	287,236
Consultants & Subcontractors	220,469	2,558	10,275	13,793	5,720	1,427	-	254,242	-	44,442	-	298,684	320,637
Insurance	30,870	12,231	3,498	19,822	1,868	18,961	339	87,589	96,016	24,480	798	208,883	237,266
Janitorial	6,043	-	-	-	-	-	-	6,043	190,167	-	-	196,210	197,427
Professional Fees	50,744	27,109	6,916	37,626	3,619	25,470	880	152,364	14,398	23,408	1,487	191,657	166,222
Supplies	24,214	31,979	5,998	15,666	6,446	47,652	508	132,463	6,845	5,971	556	145,835	145,981
Amortization	-	-	-	-	-	-	-	-	141,961	-	-	141,961	141,961
Seminars & Training	38,260	11,589	1,694	35,708	1,077	8,593	532	97,453	-	13,786	242	111,481	83,783
Program Food	4,769	10,079	29,697	8,344	1,968	1,631	811	57,299	523	29,978	-	87,800	83,400
Auto & Travel	41,208	18,372	2,507	8,077	1,829	648	217	72,858	-	4,440	-	77,298	63,728
Licensing Fees	1,116	-	-	45,433	-	2,099	-	48,648	-	16,294	-	64,942	34,719
Occupancy	31,930	-	1,100	31,500	-	-	-	64,530	-	45	-	64,575	65,834
Telephone	11,937	12,312	1,737	14,562	1,438	4,426	386	46,798	4,565	3,217	376	54,956	45,422
Property Taxes	-	625	-	-	-	-	-	625	48,274	-	-	48,899	54,058
Equipment & Furniture	11,662	872	-	4,915	-	8,048	-	25,497	13,737	7,232	-	46,466	114,323
Copying, Printing & Postage	3,542	2,465	539	4,487	231	2,980	151	14,395	783	26,134	-	41,312	23,046
Membership Fees & Publications	8,469	482	205	4,339	205	13,572	-	27,272	831	4,051	-	32,154	25,283
Security	14,521	-	-	-	-	-	-	14,521	6,740	334	-	21,595	16,982
Equipment Rent/Lease	7,851	1,634	471	3,080	253	4,136	46	17,471	417	413	105	18,406	15,057
Advertising	1,059	3,493	76	75	-	5,010	-	9,713	-	3,303	-	13,016	9,934
Bank Charges	6	-	5	7,364	-	402	190	7,967	22	4,868	116	12,973	10,537
Client Financial Assistance	31	12,552	-	248	-	-	-	12,831	-	-	-	12,831	8,731
Bad Debt Expense	-	-	-	-	-	-	-	-	12,173	-	-	12,173	7,646
Donations	-	-	-	-	-	-	-	-	-	7,798	-	7,798	6,380
Meals & Entertainment	-	625	-	-	-	-	-	625	-	150	-	775	670
Other	3,604	4,957	640	2,064	263	2,192	83	13,803	5,181	12,389	-	31,373	30,068
Expenses Before Administrative Allocations	2,355,951	840,483	308,215	1,666,248	136,638	1,150,619	44,400	6,502,554	1,993,060	950,102	69,442	9,515,158	8,426,408
Building Expenses - Allocated	136,732	26,374	9,998	134,045	-	89,990	3,408	400,547	(516,578)	108,348	7,683	-	-
Supporting Services - Allocated	383,591	132,283	48,477	279,511	21,412	193,176	-	1,058,450	-	(1,058,450)	-	-	-
Total Expenses	$ 2,876,274	$ 999,140	$ 366,690	$ 2,079,804	$ 158,050	$ 1,433,785	$ 47,808	$ 7,961,551	$ 1,476,482	$ -	$ 77,125	$ 9,515,158	$ 8,426,408

See accompanying notes to financial statements

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
United States Department of Health and Human Services:			
United States Department of Health and Human Services: Administration for Children and Families Assistance for Torture Victims (9/30/07 to 9/29/08)	93.604	90ZT0068	$ 395,059
Pass-Through: The State of California Governor's Office of Emergency Services Domestic Violence Assistance Program (7/1/07 to 6/30/08)	93.671	DV0614471	52,006
Administration on Aging: Pass-Through: Council on Aging Santa Clara County Special Programs for the Aging-Title III, Part C, Senior Nutrition Program (7/01/07-6/30/08)	93.045	N/A	59,195
Administration on Aging: Pass-Through: Council on Aging Silicon Valley Special Programs for the Aging-Title III Supportive Services & Senior Center (7/1/07 to 6/30/08)	93.044	N/A	10,000
United States Department of Justice:			
Pass-Through: Santa Clara County Next Door Solutions to Domestic Violence Grant to Encourage Arrest Policies and Enforcement of Protection Orders Program (9/01/05 to 8/31/08)	16.590	2005-WE-AX-0127	120,573
Pass-Through: The State of California Governor's Office of Emergency Services Domestic Violence Assistance Program (7/1/07 to 6/30/08)	16.575	DV0614471	93,131
Pass-Through: The State of California Governor's Office of Emergency Services Domestic Violence Assistance Program (7/1/07 to 6/30/08)	16.588	DV0614471	5,195
Pass-Through from Santa Clara County Asian Law Alliance Legal Assistance for Victims (6/30/06 to 6/30/08)	16.524	2006-WL-AX-0064	92,530

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
United States Department of Homeland Security:			
U.S. Department of Homeland Security:			
Pass-Through: Federal Emergency Management Agency			
Shelter Fund (10/07-9/08)	97.024	N/A	$ 5,000
Total Federal Awards Expended			$ 832,689

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

SHEA LABAGH DOBBERSTEIN
Certified Public Accountants, Inc.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT
OF SANTA CLARA COUNTY, 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

THE AUDIT COMMITTEE OF
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, 2008, and have issued our report thereon dated October 15, 2008. 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 the Organization's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects AACI's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of AACI's financial statements that is more than inconsequential will not be prevented or detected by AACI's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by AACI's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 AACI'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 matters that were reported to management of AACI in a separate letter dated October 15, 2008.

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.

October 15, 2008

SHEA LABAGH DOBBERSTEIN
Certified Public Accountants, Inc.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT
OF SANTA CLARA COUNTY, 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 compliance of THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC. ("AACI") 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, 2008. AACI's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 a direct and material effect on a major federal program 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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INTERNAL CONTROL OVER COMPLIANCE

The management of THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT OF SANTA CLARA COUNTY, INC. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. 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, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 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.

October 15, 2008

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

SUMMARY OF AUDIT 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 relating to the audit of the financial statements are reported in the Report on Compliance and Controls 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 reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance and Controls in Accordance with OMB Circular A-133.

5. The Report on Compliance and Controls 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 identified and tested as major federal programs are as follows:

Program Title	Federal CFDA Number	Expenditures
United States Department of Health and Human Services — Administration for Children and Families Assistance for Torture Victims	93.604	$ 395,059
United States Office of Emergency Services — Pass-Through State of California to Domestic Violence Assistance Program	16.575	$ 93,131

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.

FINDINGS-FINANCIAL STATEMENTS AUDIT

No financial statements findings were noted.

THE ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT

OF SANTA CLARA COUNTY, INC.

STATEMENT OF COMPLIANCE

UNITED NATIONS GRANT

JANUARY 1, 2007 THROUGH DECEMBER 31, 2007

TOTAL EXPENDITURES FOR ASSISTANCE TO VICTIMS OF TORTURE JANUARY 1, 2007 THROUGH JUNE 30, 2007	$ 414,796
AMOUNT OF UNITED NATIONS GRANT EXPENDED	40,000
EXPENDITURES COVERED BY OTHER GRANTS	$ 374,796

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 in the amount of $40,000. The purpose of this grant is to assist victims of torture and members of their family.

Per our audit, this grant has been fully spent in accordance with the purpose, budget and conditions approved by the UNVFT Board of Trustees, during the period January 1, 2007 through December 31, 2007.

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ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT

INTERNAL CONTROL DEFICIENCY
AND OTHER ADVISORY COMMENTS

For the Year Ended June 30, 2008

SHEA LABAGH DOBBERSTEIN
Certified Public Accountants, Inc.

THE BOARD OF DIRECTORS
ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT

In planning and performing our audit of the financial statements of ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT (the "Organization") as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. We consider the matters described in Section I to be control deficiency.

In addition, during our audit, we noted certain other matters involving internal controls and other operational matters that are presented for your consideration. These comments are summarized in Section II.

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This letter does not affect our report dated October 15, 2008 on the 2008 financial statements of ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT. The Organization's written response to the control deficiencies identified herein has not been subjected to our audit procedures and accordingly, we express no opinion on it.

Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

We take this opportunity to express our appreciation to the Organization's finance staff for their cooperation and assistance during the course of our audit. We received the full cooperation of management and we did not encounter any difficulties or disagreements in performing the audit of the Organization's financial statements.

This report is intended solely for the information and use of the board of directors, management, and others within the organization 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 15, 2008

ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT

INTERNAL CONTROL DEFICIENCY AND OTHER ADVISORY COMMENTS

Year Ended June 30, 2008

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ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT

INTERNAL CONTROL DEFICIENCY AND OTHER ADVISORY COMMENTS

Year Ended June 30, 2008

SECTION I – CONTROL DEFICIENCY

1. Related Employee Forms not on File

Observation

Our test of selected employee's payroll disclosed that certain hourly employees do not have Form I-9 and Form-W4 maintained on their respective personnel file.

Recommendation

To ascertain that the information used in processing the payroll is accurate, Forms I-9 and W-4 must be maintained in the personnel file. Further, these forms are required by law to be completed and therefore need to be kept on file and updated as necessary.

Management Response

We will review all employee folders to ensure that the respective I9 or W4 is in their personnel file or in the case of I9 forms are in a cumulative active staff file. We acknowledge that even though Accounting had a copy of the appropriate updated forms for the employees, Human Resources is responsible for having the original or the updated replacement documents in the employee's personnel file. Also we need to acknowledge that the I9 file that was not located was for an employee hired in 1993 before we had a designated HR position. We are reviewing every active employee personnel file to ensure that the most recent I9 and W4 forms are included and that they are consistent with our current payroll records.

Given the growth in number of employees at the agency over the last several years, the agency has budgeted for a new "human resources associate" position in FY09. This position will help ensure that the agency maintains accurate and complete personnel files.

ASIAN AMERICANS FOR COMMUNITY INVOLVEMENT

INTERNAL CONTROL DEFICIENCY AND OTHER ADVISORY COMMENTS

Year Ended June 30, 2008

SECTION II – OTHER COMMENTS

1. Use of Final Budget as Approved by the County of Santa Clara

Observation

The Organization prepared formal financial budgets for each of its program activities. During our test of monthly billings sent to the County of Santa Clara relating to productivity of mental health programs, the Quality Assurance group that bills the County does not have on file a final copy of the revised budget for this program. Due to this matter, the monthly billings sent to the County indicate the threshold/limit pertaining to the superseded budgeted amounts.

Recommendation

Financial and operating budgets provide further direction for the achievement of the Organization goals as well as a means of measuring performance and efficiency of the Organization activities and specific events. A final copy of the revised budget must be provided and communicated by the Program Directors to the Quality Assurance group to ascertain that the information included in the monthly billings sent to the County of Santa Clara is accurate based on approved budget for the fiscal year.

Management Response

Quality Assurance (QA) group is responsible for accurate billing based on units of service. The QA billing is based on actual. The actual expenses are used by the County to determine our billing rates. It is essential that the QA group not try to align the billing amounts with the budget but that they only bill on actual units produced and bill out at the rate given by the County's software Unicare. The County's Unicare system defines the annual and monthly budget amount for the billing periods. The QA department has no responsibility over the budgeted amounts on the billing print out submitted to the County.

The Program Directors provide QA with the Board approved budgets at the beginning of the year and with any subsequent changes made by the County to their budgets. In this case the County sent out our 2007-08 approved budget revisions in late August 2008, after the close of the 2007-08 fiscal year. The adjustments were sent to our Accounting group and the Program Directors. They were not sent by the County to our QA group because our Accounting group is responsible for the final reconciliation report based on the monthly Unicare billings produced by QA. QA is sent a copy of the County revised budget received late August 08 along with the billing and budget reconciliation report prior to its submittal to the County.

SECTION II – OTHER COMMENTS (Continued)

2. Review of Bank Reconciliation Statements

Observation

During our year-end audit, we noted that all bank reconciliation statements do not bear the signature of the reviewer to signify review and approval of the reconciling items for the period.

Recommendation

To attain greater level of assurance that bank reconciling items are proper at any given period, the bank reconciliation must bear the signature of the responsible accounting personnel to signify review and approval of the reconciling items thereof.

Management Response

All bank reconcilations were completed in a timely manner and consistent with our montlhy reconciliation process. We acknowledge that not all of the bank reconciliations had a review signature. We will ensure that the reviewer signs the monthly bank reconcilation at the end of their review.

* * * Nothing Follows * * *