Los Angeles County Developmental Services Foundation

Los Angeles, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2019 and 2018

CPAs & Advisors

Los Angeles County Developmental Services Foundation
TABLE OF CONTENTS
June 30, 2019 and 2018

CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Los Angeles County Developmental Services Foundation
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles County Developmental Services Foundation dba the Frank D. Lanterman Regional Center, a California nonprofit corporation (the Foundation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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 Foundation'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 Foundation'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.

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INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. The accompanying Schedules of Financial Position by Fund and Activities by Fund are also presented for the purposes of additional analysis and are 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 noted above is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Foundation'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 Foundation's internal control over financial reporting and compliance.

Aiello, Goodrich & Teuscher

December 26, 2019
Aiello, Goodrich & Teuscher
An Accountancy Corporation
Redding, California

FINANCIAL SECTION

Los Angeles County Developmental Services Foundation

STATEMENTS OF FINANCIAL POSITION

June 30		2019		2018
ASSETS				
Cash and cash equivalents	$	4,143,548	$	6,991,635
Cash and cash equivalents - client trust fund		1,678,504		2,096,969
Investments		1,838,941		1,745,102
Receivable - State Regional Center contracts		62,291,982		37,797,548
Receivable - ICF providers		403,988		340,988
Other receivables		522,288		790,442
Prepaid expenses		312,524		248,370
Due from state - accrued vacation leave benefits		968,794		711,221
Due from state - deferred rent		484,544		-
Deposits		119,785		119,785
TOTAL ASSETS	$	72,764,898	$	50,842,060
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	$	19,114,969	$	18,597,204
Advance - State Regional Center contracts		48,667,485		28,307,028
Accrued salaries and payroll taxes		296,565		286,747
Accrued pension		30,751		29,606
Accrued vacation and sick leave benefits		968,794		711,221
Deferred rent		484,544		-
Client trust funds liability		933,050		971,123
Total Liabilities		70,496,158		48,902,929
Net Assets				
Without donor restrictions		1,698,975		1,395,760
With donor restrictions		569,765		543,371
Total Net Assets		2,268,740		1,939,131
TOTAL LIABILITIES AND NET ASSETS	$	72,764,898	$	50,842,060

The accompanying notes are an integral part of these financial statements.

Los Angeles County Developmental Services Foundation
STATEMENTS OF ACTIVITIES

Year Ended June 30, 2019	Without Donor Restriction	With Donor Restriction	Total
Revenue			
State Regional Center contracts	$ 206,640,992	$ -	$ 206,640,992
Intermediate Care Facility supplemental services income	1,200,429	-	1,200,429
Intermediate Care Facility administrative fee	18,006	-	18,006
Interest and dividend income - net of fees	140,817	4,021	144,838
Donations and grants	500	131,589	132,089
Unrealized gain (loss) on investments	63,524	-	63,524
Other income	362,533	-	362,533
Total Revenue	208,426,801	135,610	208,562,411
Net assets released from restrictions	109,216	(109,216)	-
Total Revenue and Net Assets Released From Restrictions	208,536,017	26,394	208,562,411
Expenses			
Program Services			
Intake	1,101,044	-	1,101,044
Service coordination	17,036,327	-	17,036,327
Program development	1,329,521	-	1,329,521
Monitoring and evaluation	605,361	-	605,361
Clinical services	846,828	-	846,828
Family support	575,877	-	575,877
Training and development	159,741	-	159,741
Consumer benefits coordination	262,693	-	262,693
Living out of own home	50,181,826	-	50,181,826
Day program	28,576,868	-	28,576,868
Other purchased services	104,356,928	-	104,356,928
Total Program Services	205,033,014	-	205,033,014
Supporting Services			
Management and general	3,199,788	-	3,199,788
Total Supporting Services	3,199,788	-	3,199,788
Total Expenses	208,232,802	-	208,232,802
Changes in Net Assets	303,215	26,394	329,609
Net Assets - Beginning of Year	1,395,760	543,371	1,939,131
Net Assets - End of Year	$ 1,698,975	$ 569,765	$ 2,268,740

The accompanying notes are an integral part of these financial statements.

Los Angeles County Developmental Services Foundation

STATEMENTS OF ACTIVITIES

(Continued)

Year Ended June 30, 2018	Without Donor Restriction	With Donor Restriction	Total
Revenue			
State Regional Center contracts	$ 187,935,082	$ -	$ 187,935,082
Intermediate Care Facility supplemental services income	1,448,501	-	1,448,501
Intermediate Care Facility administrative fee	21,727	-	21,727
Interest and dividend income - net of fees	48,945	1,929	50,874
Donations and grants	350	187,056	187,406
Unrealized gain (loss) on investments	101,816	-	101,816
Total Revenue	189,556,421	188,985	189,745,406
Net assets released from restrictions	157,467	(157,467)	-
Total Revenue and Net Assets Released From Restrictions	189,713,888	31,518	189,745,406
Expenses			
Program Services			
Intake	989,141	-	989,141
Service coordination	16,045,553	-	16,045,553
Program development	1,121,407	-	1,121,407
Monitoring and evaluation	537,895	-	537,895
Clinical services	932,785	-	932,785
Family support	538,936	-	538,936
Training and development	145,407	-	145,407
Consumer benefits coordination	246,390	-	246,390
Living out of own home	47,543,029	-	47,543,029
Day program	29,555,241	-	29,555,241
Other purchased services	89,114,556	-	89,114,556
Total Program Services	186,770,340	-	186,770,340
Supporting Services			
Management and general	2,816,074	-	2,816,074
Total Supporting Services	2,816,074	-	2,816,074
Total Expenses	189,586,414	-	189,586,414
Changes in Net Assets	127,474	31,518	158,992
Net Assets - Beginning of Year	1,268,286	511,853	1,780,139
Net Assets - End of Year	$ 1,395,760	$ 543,371	$ 1,939,131

The accompanying notes are an integral part of these financial statements.

Los Angeles County Developmental Services Foundation

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019	Program Services: Intake	Service Coordination	Program Development	Monitoring and Evaluation	Clinical Services	Family Support	Training and Development	Balance Forward
Salaries	$ 630,074	$ 9,851,189	$ 762,245	$ 343,223	$ 482,965	$ 389,852	$ 85,334	$ 12,544,882
Employee health and retirement benefits	161,635	2,465,711	194,661	89,960	124,877	63,823	25,521	3,126,188
Payroll taxes	9,070	138,356	10,923	5,048	7,007	3,581	1,432	175,417
Total Salaries and Related Expenses	800,779	12,455,256	967,829	438,231	614,849	457,256	112,287	15,846,487
Purchase of services	-	-	-	-	-	-	-	-
Facility rent	101,330	1,545,767	122,034	56,396	78,286	40,011	15,999	1,959,823
Contract/consulting services	48,370	738,448	58,328	26,935	37,368	19,158	7,682	936,289
General office expenses	37,019	564,724	44,583	20,604	28,601	14,617	5,845	715,993
Data processing	26,576	405,405	32,006	14,791	20,532	10,494	4,196	514,000
Legal fees	25,365	386,934	30,547	14,117	19,596	10,015	4,005	490,579
Equipment maintenance and purchases	16,476	251,339	19,843	9,170	12,729	6,506	2,601	318,664
Communications	16,197	247,078	19,506	9,014	12,513	6,395	2,557	313,260
Facility and equipment maintenance	11,281	172,095	13,586	6,279	8,716	4,455	1,781	218,193
Insurance - property and earthquake	8,167	124,589	9,836	4,546	6,310	3,225	1,290	157,963
Travel	6,053	92,345	7,290	3,369	4,677	2,390	956	117,080
ARCA dues	-	-	-	-	-	-	-	-
Accounting fees	-	-	-	-	-	-	-	-
Printing	1,876	28,625	2,260	1,044	1,450	741	296	36,292
General expenses	1,555	23,722	1,873	865	1,201	614	246	30,076
Board of Directors' expenses		-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Total	$ 1,101,044	$ 17,036,327	$ 1,329,521	$ 605,361	$ 846,828	$ 575,877	$ 159,741	$ 21,654,699

The accompanying notes are an integral part of these financial statements.

Los Angeles County Developmental Services Foundation

STATEMENTS OF FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2019	Program Services: Balance Brought Forward	Consumer Benefits Coordination	Living Out of Own Home	Day Program	Other Purchased Services	Total Program	Supporting Services: Management and General	Total Expenses
Salaries	$ 12,544,882	$ 144,908	$ -	$ -	$ -	$ 12,689,790	$ 1,812,239	$ 14,502,029
Employee health and retirement benefits	3,126,188	40,407	-	-	-	3,166,595	457,021	3,623,616
Payroll taxes	175,417	2,267	-	-	-	177,684	25,644	203,328
Total Salaries and Related Expenses	15,846,487	187,582	-	-	-	16,034,069	2,294,904	18,328,973
Purchase of services	-	-	50,181,826	28,576,868	104,356,928	183,115,622		183,115,622
Facility rent	1,959,823	25,331	-	-	-	1,985,154	286,509	2,271,663
Contract/consulting services	936,289	12,140	-	-	-	948,429	31,129	979,558
General office expenses	715,993	9,254	-	-	-	725,247	104,673	829,920
Data processing	514,000	6,644	-	-	-	520,644	75,141	595,785
Legal fees	490,579	6,341	-	-	-	496,920	71,720	568,640
Equipment maintenance and purchases	318,664	4,119	-	-	-	322,783	46,586	369,369
Communications	313,260	4,049	-	-	-	317,309	45,797	363,106
Facility and equipment maintenance	218,193	2,820	-	-	-	221,013	31,898	252,911
Insurance - property and earthquake	157,963	2,042	-	-	-	160,005	23,091	183,096
Travel	117,080	1,513	-	-	-	118,593	17,117	135,710
ARCA dues	-	-	-	-	-	-	68,389	68,389
Accounting fees	-	-	-	-	-	-	56,500	56,500
Printing	36,292	469	-	-	-	36,761	5,307	42,068
General expenses	30,076	389	-	-	-	30,465	4,397	34,862
Board of Directors' expenses	-	-	-	-	-	-	25,356	25,356
Insurance	-	-	-	-	-	-	11,274	11,274
Total	$ 21,654,699	$ 262,693	$ 50,181,826	$ 28,576,868	$ 104,356,928	$ 205,033,014	$ 3,199,788	$ 208,232,802

The accompanying notes are an integral part of these financial statements.

Los Angeles County Developmental Services Foundation

STATEMENTS OF FUNCTIONAL EXPENSES

(Continued)

	Program Services							
Year Ended June 30, 2018	Intake	Service Coordination	Program Development	Monitoring and Evaluation	Clinical Services	Family Support	Training and Development	Balance Forward
Salaries	$ 587,436	$ 9,629,846	$ 666,900	$ 316,458	$ 553,634	$ 376,266	$ 80,739	$ 12,211,279
Employee health and retirement benefits	144,741	2,312,045	163,788	79,793	136,640	58,636	23,295	2,918,938
Payroll taxes	10,791	172,366	12,211	5,949	10,187	4,371	1,737	217,612
Total Salaries and Related Expenses	742,968	12,114,257	842,899	402,200	700,461	439,273	105,771	15,347,829
Purchase of services	-	-	-	-	-	-	-	-
Facility rent	79,281	1,266,399	89,713	43,706	74,843	32,117	12,760	1,598,819
Contract/consulting services	60,207	960,728	68,071	33,175	56,766	24,328	9,707	1,212,982
Data processing	25,145	401,660	28,454	13,862	23,738	10,186	4,047	507,092
General office expenses	23,974	382,951	27,129	13,216	22,632	9,712	3,858	483,472
Communications	13,775	220,042	15,588	7,594	13,004	5,580	2,217	277,800
Equipment maintenance and purchases	12,062	192,674	13,649	6,650	11,387	4,886	1,941	243,249
Legal fees	10,797	172,461	12,217	5,952	10,192	4,374	1,738	217,731
Insurance - property and earthquake	6,700	107,029	7,582	3,694	6,325	2,714	1,078	135,122
Travel	5,630	89,935	6,371	3,104	5,315	2,281	906	113,542
Printing	4,567	72,955	5,168	2,518	4,312	1,850	735	92,105
ARCA dues	-	-	-	-	-	-	-	-
Accounting fees	-	-	-	-	-	-	-	-
General expenses	2,190	34,986	2,478	1,207	2,068	887	352	44,168
Facility and equipment maintenance	1,845	29,476	2,088	1,017	1,742	748	297	37,213
Insurance	-	-	-	-	-	-	-	-
Board of Directors' expenses	-	-	-	-	-	-	-	-
Total	$ 989,141	$ 16,045,553	$ 1,121,407	$ 537,895	$ 932,785	$ 538,936	$ 145,407	$ 20,311,124

The accompanying notes are an integral part of these financial statements.

Los Angeles County Developmental Services Foundation

STATEMENTS OF FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2018	Program Services: Balance Brought Forward	Consumer Benefits Coordination	Living Out of Own Home	Day Program	Other Purchased Services	Total Program	Supporting Services: Management and General	Total Expenses
Salaries	$ 12,211,279	$ 141,398	$ -	$ -	$ -	$ 12,352,677	$ 1,649,891	$ 14,002,568
Employee health and retirement benefits	2,918,938	37,834	-	-	-	2,956,772	399,392	3,356,164
Payroll taxes	217,612	2,821	-	-	-	220,433	29,774	250,207
Total Salaries and Related Expenses	15,347,829	182,053	-	-	-	15,529,882	2,079,057	17,608,939
Purchase of services	-	-	47,543,029	29,555,241	89,114,556	166,212,826	-	166,212,826
Facility rent	1,598,819	20,723	-	-	-	1,619,542	218,763	1,838,305
Contract/consulting services	1,212,982	15,727	-	-	-	1,228,709	60,329	1,289,038
Data processing	507,092	6,573	-	-	-	513,665	69,385	583,050
General office expenses	483,472	6,267	-	-	-	489,739	66,152	555,891
Communications	277,800	3,601	-	-	-	281,401	38,012	319,413
Equipment maintenance and purchases	243,249	3,153	-	-	-	246,402	33,284	279,686
Legal fees	217,731	2,822	-	-	-	220,553	29,791	250,344
Insurance - property and earthquake	135,122	1,751	-	-	-	136,873	18,491	155,364
Travel	113,542	1,472	-	-	-	115,014	15,536	130,550
Printing	92,105	1,194	-	-	-	93,299	12,602	105,901
ARCA dues	-	-	-	-	-	-	68,389	68,389
Accounting fees	-	-	-	-	-	-	54,000	54,000
General expenses	44,168	572	-	-	-	44,740	6,117	50,857
Facility and equipment maintenance	37,213	482	-	-	-	37,695	5,092	42,787
Insurance	-	-	-	-	-	-	21,799	21,799
Board of Directors' expenses	-	-	-	-	-	-	19,275	19,275
Total	$ 20,311,124	$ 246,390	$ 47,543,029	$ 29,555,241	$ 89,114,556	$ 186,770,340	$ 2,816,074	$ 189,586,414

The accompanying notes are an integral part of these financial statements.

Los Angeles County Developmental Services Foundation

STATEMENTS OF CASH FLOWS

Years Ended June 30	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 329,609	$ 158,992
Adjustments to reconcile change in net assets		
to net cash provided (used) by operating activities:		
Unrealized (gain) loss on investments	(63,524)	(101,816)
Dividends reinvested	(29,815)	(27,055)
(Increase) decrease in:		
Receivable - State Regional Center contracts	(24,494,434)	10,831,028
Receivable - ICF providers	(63,000)	267,705
Other receivables	268,154	(666,069)
Prepaid expenses	(64,154)	34,969
Increase (decrease) in:		
Accounts payable	517,765	1,607,436
Advance - State Regional Center contracts	20,360,457	(15,117,621)
Accrued salaries and payroll taxes	9,818	23,530
Accrued pensions	1,145	1,726
Client trust fund liability	(38,073)	(129,742)
Net Cash Provided (Used) By Operating Activities	(3,266,052)	(3,116,917)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(500)	(350)
Net Cash Provided (Used) By Investing Activities	(500)	(350)
Net Increase (Decrease) in Cash	(3,266,552)	(3,117,267)
Cash and Cash Equivalents - Beginning of Year	9,088,604	12,205,871
Cash and Cash Equivalents - End of Year	$ 5,822,052	$ 9,088,604
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	$ 4,143,548	$ 6,991,635
Cash and cash equivalents - client trust funds	1,678,504	2,096,969
Total Cash and Cash Equivalents	$ 5,822,052	$ 9,088,604

The accompanying notes are an integral part of these financial statements.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities Los Angeles County Developmental Services Foundation (the Foundation), was incorporated as a California not-for-profit corporation on February 27, 1979. The Foundation was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Act) of the *Welfare and Institutions Code* of the State of California (the State). In accordance with the Act, the Foundation, doing business as the Frank D. Lanterman Regional Center, works in partnership serving people with developmental disabilities, their families, local communities, service providers, and the government. Its mission is to enable persons with developmental disabilities to live independent, productive, and satisfying lives in their community. The Foundation also strives to lessen developmental delays in infants and young children, and minimize the risk of developmental disabilities. Among the services and support the Foundation provides or coordinates are diagnosis and assessment, individualized planning and service coordination, early intervention and prevention, the Koch-Young Resource Center, community living options, supported work and vocational programs, advocacy, training and educational opportunities, and other support services for consumers and families. The geographical area served is comprised of the Central, Hollywood-Wilshire, Pasadena, and Glendale Health Districts of Los Angeles County, which also includes the communities of La Crescenta, La Canada, Eagle Rock, and Burbank.

The Act includes governance provisions regarding the composition of the Foundation's Board of Directors. The Act states that the board shall be comprised of individuals with demonstrated interest in, or knowledge of, developmental disabilities, and other relevant characteristics, and requires that a minimum of 50% of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25% of the members of the governing board shall be persons with developmental disabilities. In addition, a member of a required advisory committee composed of persons representing the various categories of providers from which the regional center purchases client services, shall serve as a member of the regional center board. To comply with the Act, the Foundation's board of directors includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Foundation and a client service provider of the Foundation.

The Foundation contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for people with developmental disabilities, and their families.

Basis of Accounting The accompanying financial statements have been prepared on the accrual basis of accounting. The Foundation is reimbursed by the State for expenses incurred in operating the Foundation to the extent that the expenses are not covered by client support funds.

Financial Statement Presentation The Foundation's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under FASB ASC Topic 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Fund Accounting The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting considerations into funds established according to their nature and purpose.

Cash and Cash Equivalents For purposes of the statement of cash flows, the Foundation considers all highly liquid cash debt instruments with original maturities of three months or less to be cash equivalents. As required by the contract with DDS, funds received from the State are deposited into interest-bearing accounts in a bank legally authorized to do business in California, and which accounts are established solely for the operation of the Foundation. The accounts are in the name of both the Foundation and DDS, as required by DDS.

Significant Concentrations of Credit Risk Due to the unique requirements of the State and the large fluctuations in account balances the Foundation can have during the year, it is not feasible for the Foundation to diversify its cash balances among various financial institutions. Therefore, the Foundation maintains substantially all of its cash and temporary cash investments at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2019, cash exceeded federally insured limits by $6,114,391. While the amount in the banks typically exceeded FDIC coverage during the year, historically the Foundation has not experienced any losses on such accounts. For these reasons, management believes it is not exposed to any significant credit risk on such accounts.

Investments Investments are recorded at fair market value based on quoted market prices (level 1) and consist of endowment funds managed by the California Community Foundation in pooled accounts consisting of equity and fixed income securities. Detail information on the makeup of these investments was not available. Unrealized gains and losses are included in the change in net assets on the statement of activities.

State Regional Center Contract Receivables and Advances Contracts receivable represent amounts due from the State for reimbursement of expenditures made by the Foundation under the annual regional center contracts. Advances represent cash advances received by the Foundation under the annual regional center contracts. Amounts receivable from the State are offset against advances payable when the State notifies the Foundation that a right of offset exists.

The Foundation considers all amounts receivable under grant contracts to be collectible; accordingly, no allowance for doubtful accounts exists.

Receivable - ICF Providers and Due to State - ICF Supplemental Services The Centers for Medicare and Medicaid Services (CMS) approved federal financial participation in the funding of day and transportation services for clients who reside in intermediate care facilities (ICFs). As federal rules require services provided to residents of ICFs to be coordinated by those facilities, the State of California has devised a system wherein the Foundation pays for the day program and transportation services, and then submits a statement of those costs to DDS and the ICF providers. DDS pays the ICF providers for these day and transportation services and the ICF providers reimburse the Foundation for what it has spent. The Foundation receives a 1.5% administrative fee based on the funds received to cover the additional workload. Management considers all receivables to be fully collectible.

Prepaid Expenses Payments made to vendors for services that will benefit the Foundation for periods beyond the current fiscal year are recorded as prepaid expenses.

Equipment Purchases In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Foundation is required to maintain memorandum records of equipment purchases and dispositions. Equipment purchases are recorded as supporting or program service expenses when they are incurred. The cost basis of the property utilized by the Foundation and owned by the State at June 30, 2019 and 2018, was $1,254,889 and $1,447,434, respectively. These balances include only the equipment that exceeds $5,000 as required by State Administrative Manual (SAM) guidelines.

Vacation and Sick Leave Benefits Accumulated unpaid employee vacation benefits are recognized as accrued expenses and included in liabilities. Unused benefits are payable to an employee should employment cease. Sick leave benefits are accumulated for each employee. The employees gain a vested right to accumulated sick leave up to 40 hours per employee. Therefore, accumulated employee sick leave up to 40 hours is recognized as accrued expenses and included in liabilities. However, while a corresponding receivable for these benefits has been recorded as due from the State, such benefits are reimbursed under State contracts only when benefits have actually been paid.

Deferred Rent Liability The Foundation leases their office facilities under lease agreements that are subject to scheduled acceleration of rental payments. The scheduled rent increases are amortized evenly over the life of the leases. The deferred rent liability represents the difference between the cash payments made and the amount expensed since inception of the lease. The Foundation has recorded a receivable from the State for the deferred rent liability to reflect the future reimbursement of the additional rent expense recognized.

Client Trust Funds The Foundation assumes a fiduciary relationship with certain clients who cannot manage their own finances. Client support funds are received from private and governmental sources, including the Social Security Administration and Veterans Affairs. These funds are used primarily to offset clients' out-of-home placement and living costs, thereby reducing the amount expended by the Foundation. These funds are held in a separate bank account and interest earnings, if applicable, are credited to the clients' balances.

Revenue Concentration State Regional Center contract revenue is revenue received from the State of California in accordance with the Lanterman Act. Approximately ninety-nine percent of revenue is derived from this source.

Labor Concentration Approximately 68% of the employees of the Center are represented by a union for collective bargaining purposes. Periodically the collective bargaining agreement is subject to renegotiation. The current collective bargaining agreement will expire on June 5, 2022.

Contributions The Foundation reports contributions as revenue when they are unconditionally pledged or when they are received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Income Taxes The Foundation has received tax-exempt status under Section 501(c)(3) of the *Internal Revenue Code*, and Section 23701(d) of the *California Revenue and Taxation Code*, and has been classified as an organization that is not a private foundation under Section 509(a) of the *Internal Revenue Code*. Accordingly, no provision for income taxes is included in the financial statements.

The Foundation accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes and how an uncertain tax position is recognized in financial statements. The Foundation analyzes tax positions taken in previously filed returns and tax positions expected to be taken in future returns. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. The Foundation's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2019 and 2018, and the Foundation does not expect this to change significantly over the next 12 months.

Allocation of Expenses The statements of functional expenses allocate expenses to the program and supporting service categories based on a direct cost basis for purchase of services and salaries and related expenses. In addition, expenses are allocated based on a percentage of salaries and related expenses per category to total salaries and related expenses for operating expenses.

The expenses of the Family Resource Center/Network totaling $155,701 and $105,438 are included in the Family Support program category for the years ended June 30, 2019 and 2018, respectively.

Recently Issued Accounting Pronouncements In May 2014 the FASB issued a new standard on revenue recognition, ASU 2014-09, *Revenue from Contracts with Customers*, with the intent of creating a new, principle-based revenue recognition framework. The ASU creates a new topic in the FASB Accounting Standards Codification, Topic 606, in addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance. The main provisions of the ASU are:

1. Establish a new control-based revenue recognition model.
2. Changes the basis for deciding when revenue is recognized over time or at a point in time.
3. Provides new and more detailed guidance on specific topics.
4. Expands and improves disclosures about revenue.

The ASU is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016 the FASB issued ASU 2016-02, Leases (Topic 842), 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 for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundation's fiscal years beginning after December 15, 2020 (fiscal year ending June 30, 2022 for the Foundation), with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

In June 2018 the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, with the intent of clarifying the definition of an exchange transaction. As a result, not-for-profit organizations will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). The new guidance requires modified prospective transition. In the period of adoption, the changes will apply to new agreements entered into after the effective date, as well as the remaining portions of any agreements from prior years that have not been completed as of the effective date. However, full retrospective application can be elected, if desired. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on their financial statements.

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

Subsequent Events Management has evaluated subsequent events through December 26, 2019, the date on which the financial statements were available to be issued.

Change in Accounting Principle On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU had no effect on net income or the total net assets.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

June 30, 2019		
Cash and cash equivalents	$	4,143,548
Investments		1,838,941
Less: restricted investments		(1,022,366)
Receivables - State Regional Center contracts		62,291,982
Less: Advance State Regional Center contracts		(48,667,485)
Receivables - ICF providers		403,988
Other receivables		522,288
Less: Amounts of net assets subject to restriction for spending on a specific purpose		(218,564)
Total	$	19,292,332

According to the Center's contract with DDS, the State and the regional centers have agreed to work together to build the budget for the regional center system using the best quality data and information available. This budget provides data to assist in building the Governor's January Budget and the May Revise.

Additionally each regional center submits a monthly purchase of service expenditure projection to DDS, beginning in December of each fiscal year. By February 1st of each year, DDS allocates, to all regional centers, no less than one hundred percent (100%) of the enacted budget for Operations and ninety-nine percent (99%) of the enacted budget for Purchase of Service. To do this, it may be necessary to amend the Center's contract in order to allocate funds made available from budget augmentations and to move funds among regional centers. In the event that DDS determines that a regional center has insufficient funds to meet its contractual obligations, DDS shall make best efforts to secure additional funds and/or provide the regional center with regulatory and statutory relief.

The Center maintains a line of credit (see Note 4) to manage cash flow requirements during the months of May through October as needed to cover any delays in cash advances and reimbursements over the beginning of the fiscal year.

3. CASH – CLIENT TRUST FUNDS AND CLIENT TRUST FUND LIABILITY

The Foundation functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of Foundation clients. The cash balances are segregated from the operating cash accounts of the Foundation and are restricted for client support. The following is a summary of client support and expenses not reported in the statements of activities:

Years Ended June 30	2019	2018
Support		
Social security and other client support	$ 10,669,345	$ 10,017,703
Disbursements		
Living out of own home	$ 7,467,040	$ 7,391,395
Other disbursements	3,898,315	3,209,808
Total Disbursements	$ 11,365,355	$ 10,601,203

4. LINE OF CREDIT

The Foundation had a revolving note with City National Bank whereby it could borrow up to $23,000,000 until June 30, 2019. Interest on the outstanding balance is payable at the greater of 2.25% or 1% below the bank's prime rate. The line of credit expired on June 30, 2019. No amount was outstanding on the revolving note as of June 30, 2019 and 2018, respectively. In June 2019, the Foundation renewed the note to extend the expiration date to June 30, 2020 and to increase the limit to $25,000,000.

5. FUNDING LIMITS

The Foundation's contract is funded by the State's General Fund and federal reimbursements. The contracts specify the level and nature of the services to be provided to developmentally disabled persons. Allocated amounts are based primarily on projected client caseloads, and are subject to amendment based upon actual services provided.

Contracts are open for the current and two prior fiscal years as follows:

Fiscal Years Ended	Contract Amount	Cumulative Expenses	Unexpended Balance
June 30, 2019	$ 208,113,997	$ 202,073,393	$ 6,040,604
June 30, 2018	$ 188,605,050	$ 186,327,389	$ 2,277,661
June 30, 2017	$ 178,291,838	$ 177,242,834	$ 1,049,004

Management monitors the unexpended balance annually to avoid overspending the contract limits. Management believes that total expenditures for each open year will not exceed the final approved State contract amount.

6. OTHER PURCHASED SERVICES

Other purchased services consisted of the following:

Years Ended June 30	2019	2018
Nonmedical services	$ 29,973,430	$ 26,026,946
Respite	14,891,279	11,819,494
Other authorized services	35,461,692	30,006,809
Medical care	3,448,427	3,119,233
Transportation	3,887,110	3,981,803
Prevention services	13,699,296	12,063,416
Camps	366,743	214,471
Medical equipment	88,113	98,448
Home care services	2,421,562	1,626,469
Subtotal Other Purchased Services - Regional Center Contracts	104,237,652	88,957,089
Purchased services from donation and special project funds	119,276	157,467
Total Other Purchased Services	$ 104,356,928	$ 89,114,556

7. NET ASSETS

June 30	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTION		
Undesignated	$ 1,698,975	$ 1,395,760
Total Net Assets Without Donor Restriction	$ 1,698,975	$ 1,395,760
NET ASSETS WITH DONOR RESTRICTION		
Subject to Expenditures for Specified Purpose		
Client assistance	$ 64,197	$ 84,545
Resource center	6,756	7,203
Lanterman internship	21,590	21,498
Dental care	1,644	1,639
Infant and toddler programs	82,450	37,361
Other	41,927	41,783
Subtotal	218,564	194,029
Restricted by Donors in Perpetuity		
Endowment funds restricted in perpetuity	351,201	349,342
Subtotal	351,201	349,342
Total Net Assets With Donor Restriction	$ 569,765	$ 543,371

8. ENDOWMENT

The Foundation's endowment consists of two endowment trust funds established to support the mission of the Foundation. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's endowment funds are subject to the provisions of the California Uniform Prudent Management of Institutional Funds Act (UPMIFA). Accounting standards require the Foundation to classify the portion of the donor-restricted endowment funds as net assets with donor restriction until appropriated for expenditure.

The Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as net assets with donor restriction: (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent restricted gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Board-designated endowment funds are reported as net assets without donor restriction.

The restricted portion of the endowment funds have a donor stipulation requiring a portion of the investment income to be added to the permanent endowment to maintain its purchasing power. In accordance with the initial donor agreement, 5% of the realized investment income of the endowment funds have been added to the principal with the remainder available for board designated special projects.

The Foundation has adopted investment policies, approved by the Board of Directors, for endowment assets in order to maintain capital preservation and purchasing power of those endowment assets over the long-term and fund projects as determined by the board.

To satisfy its long-term rate-of-return objective, the Foundation invests endowment assets at the California Community Foundation, which manages fund assets to ensure the long-term growth of the fund.

Changes in endowment net assets were as follows:

June 30, 2019	Without Donor Restriction	Restricted In Perpetuity	Total
Beginning of Year	$ 1,395,760	$ 349,342	$ 1,745,102
Investment return:			
Investment income	35,330	1,859	37,189
Investment expense	(7,374)	-	(7,374)
Net appreciation	63,524	-	63,524
Total Investment Return	91,480	1,859	93,339
Contributions	500	-	500
End of Year	$ 1,487,740	$ 351,201	$ 1,838,941

June 30, 2018	Without Donor Restriction	Restricted In Perpetuity	Total
Beginning of Year	$ 1,268,286	$ 347,595	$ 1,615,881
Investment return:			
Investment income	33,194	1,747	34,941
Investment expense	(7,886)	-	(7,886)
Net appreciation	101,816	-	101,816
Total Investment Return	127,124	1,747	128,871
Contributions	350	-	350
End of Year	$ 1,395,760	$ 349,342	$ 1,745,102

9. COMMITMENTS

The Foundation is obligated under a lease agreement for its Los Angeles facility effective July 2018 through June 2028. The Foundation's facility lease provides for an annual adjustment of rental payments for a pro-rata share of the lessor's increase in operating costs and provides for a successive option to extend the term of the lease for a 60-month period.

The future minimum lease commitments, including the tenant allowance as of June 30, 2019, are payable as follows:

Years Ending June 30		
2020	$	2,059,200
2021		2,262,463
2022		2,330,420
2023		2,398,375
2024		2,476,038
2025-2028		10,641,950
Total	$	22,168,446

Total rental expense, including monthly parking and storage costs, for the years ended June 30, 2019 and 2018, was $2,271,663 and $1,838,305, respectively.

The Foundation pays for services in arrears, and at any given time the amount due to providers for services rendered is estimated. Unpaid commitments at June 30, 2019 and 2018, were approximately $5.4 million and $4.8 million, respectively.

10. PENSION PLAN

The Foundation has a profit sharing pension plan which covers all employees. Contributions to the plan are based upon a percentage of each participant's compensation. Contributions to the plan are fully vested. Total pension expense for the years ended June 30, 2019 and 2018, was $1,544,347 and $1,500,508, respectively.

11. LITIGATION CLAIMS AND CONTINGENCIES

In accordance with the terms of the State of California contract, an audit may be performed by an authorized state representative. Should such audit disclose any unallowable costs, the Foundation may be liable to the State for reimbursement of such costs. In the opinion of the Foundation's management, the effect of any disallowed costs, if any, would be immaterial to the financial statements as of June 30, 2019.

The Foundation is dependent on continued funding provided by the Department of Developmental Services of the State of California to operate and provide services for its clients.

The Foundation is involved in various claims and lawsuits arising in the normal conduct of its business. The Foundation believes it has adequate defenses and insurance coverage for these actions and, thus, has made no provision in the financial statements for any material costs relating to the settlement of such claims.

12. RELATED-PARTY TRANSACTIONS

California Welfare and Institutions Code, Section 4622, requires that a minimum of 50% of the Foundation's governing board be comprised of persons with developmental disabilities or their parents or legal guardians. Program service payments were made in the normal course of business on behalf of persons with developmental disabilities that were governing board members or were related to governing board members.

SUPPLEMENTARY INFORMATION SECTION

Federal Grantor/Pass-Through Grantor/Program Title	Contract Year	Pass-Through Grant Number	Federal CFDA Number	Disbursements/ Expenditures
FEDERAL				
U.S. DEPARTMENT OF EDUCATION				
Passed Through State of California Department of Developmental Services -				
Special Education - Grants for Infants and Families with Disabilities (Part C)	18/19	H181A180037	84.181A	$ 3,337,019
Total U.S. Department of Education				3,337,019
Total Expenditures of Federal Awards				$ 3,337,019

Purpose of Schedules

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grants activity of the Foundation and is presented on the accrual basis of accounting as provided by the California Department of Developmental Services. The information in this schedule is presented in accordance with the requirements the Uniform Guidance, A*udits of States, Local Governments, and Non-Profit Organizations*.

Indirect Cost Rate

The Foundation did not elect to use the 10% de minimis method for indirect costs.

Los Angeles County Developmental Services Foundation

SCHEDULE OF FINANCIAL POSITION BY FUND

June 30, 2019	Regional Center	Client Trust Funds	Endowment Fund	Donation Funds	Special Project Funds	Total
ASSETS						
Cash and cash equivalents	$ 3,562,432	$ -	$ -	$ 133,555	$ 447,561	$ 4,143,548
Cash held for others	-	1,678,504	-	-	-	1,678,504
Investments	-	-	1,838,941	-	-	1,838,941
Receivable - State Regional Center contracts	62,291,982	-	-	-	-	62,291,982
Receivable - ICF providers	407,634	-	-	-	-	407,634
Interfund receivable (payable)	204,129	(52,812)	-	-	(151,317)	-
Other receivables	522,288	-	-	-	-	522,288
Prepaid expenses	312,524	-	-	-	-	312,524
Due from state - accrued vacation leave benefits	968,794	-	-	-	-	968,794
Due from state - deferred rent	484,544	-	-	-	-	484,544
Deposits	119,785	-	-	-	-	119,785
TOTAL ASSETS	$ 68,874,112	$ 1,625,692	$ 1,838,941	$ 133,555	$ 296,244	$ 72,768,544
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	$ 18,422,327	$ 692,642	$ -	$ -	$ -	$ 19,114,969
Advance - State Regional Center contracts	48,667,485	-	-	-	-	48,667,485
Accrued salaries and payroll taxes	296,565	-	-	-	-	296,565
Accrued pension	30,751	-	-	-	-	30,751
Accrued vacation leave benefits	968,794	-	-	-	-	968,794
Deferred rent	484,544	-	-	-	-	484,544
Due to state - ICF supplemental services	3,646	-	-	-	-	3,646
Client trust funds liability	-	933,050	-	-	-	933,050
Total Liabilities	68,874,112	1,625,692	-	-	-	70,499,804
Net Assets						
Without donor restrictions	-	-	1,487,740	-	211,235	1,698,975
With donor restrictions	-	-	351,201	133,555	85,009	569,765
Total Net Assets	-	-	1,838,941	133,555	296,244	2,268,740
TOTAL LIABILITIES AND NET ASSETS	$ 68,874,112	$ 1,625,692	$ 1,838,941	$ 133,555	$ 296,244	$ 72,768,544

Los Angeles County Developmental Services Foundation

SCHEDULE OF ACTIVITIES BY FUND

Year Ended June 30, 2019	Regional Center	Endowment Fund	Donation Funds	Special Project Funds	Total
REVENUE					
State Regional Center contracts	$ 206,640,992	$ -	$ -	$ -	$ 206,640,992
Intermediate Care Facility supplemental services income	1,200,429	-	-	-	1,200,429
Intermediate Care Facility administrative fee	18,006	-	-	-	18,006
Interest and dividend income - net of fees	112,809	29,815	966	1,248	144,838
Donations and grants	-	500	47,241	84,348	132,089
Unrealized gain (loss) on investments	-	63,524	-	-	63,524
Other income	151,298	-	-	211,235	362,533
TOTAL REVENUE	208,123,534	93,839	48,207	296,831	208,562,411
EXPENSES					
Program Services					
Intake	1,101,044	-	-	-	1,101,044
Service coordination	17,036,327	-	-	-	17,036,327
Program development	1,329,521	-	-	-	1,329,521
Monitoring and evaluation	605,361	-	-	-	605,361
Clinical services	846,828	-	-	-	846,828
Family support	575,877	-	-	-	575,877
Training and development	159,741	-	-	-	159,741
Consumer benefits coordination	262,693	-	-	-	262,693
Living out of own home	50,181,826	-	-	-	50,181,826
Day program	28,576,868	-	-	-	28,576,868
Other purchased services	104,247,660	-	69,681	39,587	104,356,928
Total Program Services	204,923,746	-	69,681	39,587	205,033,014
Supporting Services					
Management and general	3,199,788	-	-	-	3,199,788
Total Supporting Services	3,199,788	-	-	-	3,199,788
TOTAL EXPENSES	208,123,534	-	69,681	39,587	208,232,802
Changes in Net Assets	-	93,839	(21,474)	257,244	329,609
Net Assets - Beginning of Year	-	1,745,102	155,029	39,000	1,939,131
Net Assets - End of Year	$ -	$ 1,838,941	$ 133,555	$ 296,244	$ 2,268,740

OTHER REPORTS SECTION

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

To the Board of Directors
Los Angeles County Developmental Services Foundation
Los Angeles, California

We have audited, 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, the financial statements of Los Angeles County Developmental Services Foundation dba the Frank D. Lanterman Regional Center, a California nonprofit corporation (the Foundation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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 December 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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INDEPENDENT AUDITORS' 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*

(Continued)

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aiello, Goodrich & Teuscher

December 26, 2019
Aiello, Goodrich & Teuscher
An Accountancy Corporation
Redding, California

AGT
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors
Los Angeles County Developmental Services Foundation
Los Angeles, California

Report on Compliance for the Major Federal Program

We have audited Los Angeles County Developmental Services Foundation's dba the Frank D. Lanterman Regional Center, a California nonprofit corporation (the Foundation), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2019. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Foundation'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 (CFR) 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation'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 Foundation's compliance.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

(Continued)

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Foundation 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 Foundation'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 Foundation's internal control over compliance.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE
(Continued)

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.

Aiello, Goodrich & Teuscher

December 26, 2019
Aiello, Goodrich & Teuscher
An Accountancy Corporation
Redding, California

FINDINGS AND RECOMMENDATIONS SECTION

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Is any noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Identification of major programs:	
CFDA No. 84.181A Special Education – Grants for Infants and Families with Disabilities (Part C)	
Threshold for distinguishing types A and B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None

None