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## **INDEPENDENT AUDITORS' REPORT**

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

### ***Opinion***

We have audited the accompanying financial statements of Los Angeles County Developmental Services Foundation (dba Lanterman Regional Center), a California nonprofit corporation (the Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles County Developmental Services Foundation as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Los Angeles County Developmental Services Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the of Los Angeles County Developmental Services Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Los Angeles County Developmental Services Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California  
February 28, 2023

# LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

### ASSETS

	June 30,	
	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 26,925,509	\$ 13,202,663
Cash and cash equivalents - client trust fund	3,055,094	3,405,105
Investments	1,361,178	1,549,774
Receivable - State Regional Center contracts	2,188,082	15,448,281
Receivable - Intermediate care facility providers	274,173	227,686
Other receivables	278,481	62,260
Prepaid expenses	384,580	480,688
Due from State - accrued vacation and sick leave benefits	1,401,300	1,416,672
Due from State - deferred rent	1,183,888	997,700
Deposits	<u>119,785</u>	<u>119,785</u>
<b>TOTAL ASSETS</b>	<u>\$ 37,172,070</u>	<u>\$ 36,910,614</u>

### LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>		
Accounts payable	\$ 29,437,772	\$ 28,619,937
Accrued salaries and payroll taxes	1,067,806	577,036
Accrued pension	134,272	69,923
Accrued vacation and sick leave benefits	1,401,300	1,416,672
Deferred revenue	-	111,664
Due to State - Intermediate care facility providers	3,646	3,646
Deferred rent	1,183,888	997,700
Unexpended client support	<u>1,741,813</u>	<u>2,757,905</u>
<b>Total liabilities</b>	<u>34,970,497</u>	<u>34,554,483</u>

#### COMMITMENTS AND CONTINGENCIES (Note 9)

<b>NET ASSETS</b>		
Without donor restrictions	1,636,503	1,825,568
With donor restrictions	<u>565,070</u>	<u>530,563</u>
<b>Total net assets</b>	<u>2,201,573</u>	<u>2,356,131</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 37,172,070</u>	<u>\$ 36,910,614</u>

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

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
State Regional Center contracts	\$ 299,243,440	\$ -	\$ 299,243,440
Intermediate Care Facility supplemental services income	432,798	-	432,798
CARES Act - Provider Relief Fund	111,664	-	111,664
Interest and dividend income, net of fees	13,210	740	13,950
Donations and grants	100	120,177	120,277
Investment loss	(198,445)	-	(198,445)
Net assets released from restrictions	<u>86,410</u>	<u>(86,410)</u>	<u>-</u>
 Total Revenue and Support	 <u>299,689,177</u>	 <u>34,507</u>	 <u>299,723,684</u>
<b>EXPENSES</b>			
Program Services			
Direct consumer services	296,132,427	-	296,132,427
Supporting Services:			
Management and general	<u>3,745,815</u>	<u>-</u>	<u>3,745,815</u>
 Total Expenses	 <u>299,878,242</u>	 <u>-</u>	 <u>299,878,242</u>
 <b>CHANGE IN NET ASSETS</b>	 (189,065)	34,507	(154,558)
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	 <u>1,825,568</u>	 <u>530,563</u>	 <u>2,356,131</u>
 <b>NET ASSETS AT END OF YEAR</b>	 <u>\$ 1,636,503</u>	 <u>\$ 565,070</u>	 <u>\$ 2,201,573</u>

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

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
State Regional Center contracts	\$ 285,555,181	\$ -	\$ 285,555,181
Intermediate Care Facility supplemental services income	757,183	-	757,183
CARES Act - Provider Relief Fund	213,501	-	213,501
Interest and dividend income, net of fees	36,099	1,057	37,156
Donations and grants	25	120,342	120,367
Investment income	302,606	-	302,606
Net assets released from restrictions	<u>89,829</u>	<u>(89,829)</u>	<u>-</u>
 Total Revenue and Support	 <u>286,954,424</u>	 <u>31,570</u>	 <u>286,985,994</u>
<b>EXPENSES</b>			
Program Services			
Direct consumer services	283,432,838	-	283,432,838
Supporting Services:			
Management and general	<u>3,246,061</u>	<u>-</u>	<u>3,246,061</u>
 Total Expenses	 <u>286,678,899</u>	 <u>-</u>	 <u>286,678,899</u>
 <b>CHANGE IN NET ASSETS</b>	 275,525	 31,570	 307,095
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	 <u>1,550,043</u>	 <u>498,993</u>	 <u>2,049,036</u>
 <b>NET ASSETS AT END OF YEAR</b>	 <u><u>\$ 1,825,568</u></u>	 <u><u>\$ 530,563</u></u>	 <u><u>\$ 2,356,131</u></u>

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

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>Supporting Services</u>	
	<b>Direct</b>		
	<u>Consumer Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
<b>SALARIES AND RELATED EXPENSES</b>			
Salaries	\$ 17,033,225	\$ 2,322,713	\$ 19,355,938
Employee health and retirement benefits	4,010,932	546,945	4,557,877
Payroll taxes	<u>227,468</u>	<u>31,018</u>	<u>258,486</u>
 Total Salaries and Related Expenses	 21,271,625	 2,900,676	 24,172,301
 Purchase of services			
Living Out of Home	68,645,726	-	68,645,726
Day Program	26,725,767	-	26,725,767
Other Purchased Services	173,836,828	-	173,836,828
Facility rent	2,405,229	327,986	2,733,215
Data processing	660,148	90,020	750,168
Contract/consulting services	467,542	63,756	531,298
General office expenses	239,540	32,664	272,204
Communications	281,060	38,326	319,386
Legal fees	271,344	37,001	308,345
Insurance	221,605	30,219	251,824
Equipment purchases	735,999	100,364	836,363
Travel	24,743	3,374	28,117
General expenses	169,695	23,140	192,835
ARCA dues	-	69,347	69,347
Facility and equipment maintenance	133,528	18,208	151,736
Accounting fees	-	5,000	5,000
Printing	41,304	5,632	46,936
Board of Directors' expenses	<u>744</u>	<u>102</u>	<u>846</u>
 <b>TOTAL EXPENSES</b>	 <u><u>\$ 296,132,427</u></u>	 <u><u>\$ 3,745,815</u></u>	 <u><u>\$ 299,878,242</u></u>

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

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Supporting Services</u>	
	<b>Direct</b>		
	<u>Consumer Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
<b>SALARIES AND RELATED EXPENSES</b>			
Salaries	\$ 14,737,954	\$ 2,009,721	\$ 16,747,675
Employee health and retirement benefits	3,623,860	494,163	4,118,023
Payroll taxes	<u>163,368</u>	<u>22,278</u>	<u>185,646</u>
 Total Salaries and Related Expenses	 18,525,182	 2,526,162	 21,051,344
 Purchase of services			
Living Out of Home	69,883,369	-	69,883,369
Day Program	25,556,858	-	25,556,858
Other Purchased Services	165,074,693	-	165,074,693
Facility rent	2,278,588	310,717	2,589,305
Data processing	693,769	94,605	788,374
Contract/consulting services	478,841	65,296	544,137
General office expenses	70,923	9,671	80,594
Communications	320,607	43,719	364,326
Legal fees	132,497	18,068	150,565
Insurance	183,490	25,021	208,511
Equipment purchases	69,128	9,427	78,555
Travel	4,331	591	4,922
General expenses	60,543	8,256	68,799
ARCA dues	-	68,389	68,389
Facility and equipment maintenance	68,409	9,328	77,737
Accounting fees	-	52,500	52,500
Printing	28,526	3,890	32,416
Board of Directors' expenses	<u>3,084</u>	<u>421</u>	<u>3,505</u>
 <b>TOTAL EXPENSES</b>	 <u>\$ 283,432,838</u>	 <u>\$ 3,246,061</u>	 <u>\$ 286,678,899</u>

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

# LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

## STATEMENTS OF CASH FLOWS

	For the Year Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (154,558)	\$ 307,095
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized gain on investments	198,445	(302,606)
Reinvested interest and dividends	(9,849)	(15,214)
(Increase) decrease in:		
Receivable - State Regional Center contracts	13,260,199	(342,676)
Receivable - Intermediate care facility providers	(46,487)	213,050
Other receivables	(216,221)	(50,842)
Prepaid expenses	96,108	(164,449)
Due from state - accrued vacation and sick leave benefits	15,372	(226,332)
Due from state - deferred rent	(186,188)	(163,033)
Deposits	-	-
Increase (decrease) in:		
Accounts payable	817,835	3,823,336
Accrued salaries and payroll taxes	490,770	119,703
Accrued pension	64,349	24,433
Accrued vacation and sick leave benefits	(15,372)	226,332
Deferred revenue	(111,664)	111,664
Deferred rent	186,188	163,033
Unexpended client support	(1,016,092)	1,504,722
Net Cash Provided By Operating Activities	13,372,835	5,228,216
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	13,372,835	5,228,216
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	16,607,768	11,379,552
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 29,980,603	\$ 16,607,768
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 26,925,509	\$ 13,202,663
Cash and cash equivalents - client trust funds	3,055,094	3,405,105
Total Cash and Cash Equivalents	\$ 29,980,603	\$ 16,607,768

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

# **LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021**

### **NOTE 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 Board). 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 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.

## LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

#### **NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

The Foundation contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for individuals with developmental disabilities and their families. The Foundation's contract with the DDS totaled \$328,281,782 and \$290,363,611 for the 2021-2022 and 2020-2021 contract year, respectively, and are subject to budget amendments. Amounts received from the DDS contracts are recognized as revenue when the Foundation has incurred qualifying operational expenditures per the DDS contracts. Amounts received prior to incurring qualifying operational expenditures are recorded as contract advances and are included with contract receivable on the statements of financial position. As of June 30, 2022, actual net expenditures were \$292,779,644 and \$287,050,480 for the 2021-2022 and 2020-2021 contract, respectively. The remaining amounts on the 2021-2022 contract year where the Foundation can be reimbursed for qualifying expenditures are approximately \$35,502,000, subject to any future budget amendments.

#### ***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.

#### ***Use of Estimates and Assumptions***

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

#### ***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:

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

# LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

#### *Financial Statement Presentation (Continued)*

***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 statements 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.

# LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

#### *Significant Concentrations of Credit Risk*

Due to the unique requirements of the State and the large fluctuation 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. While the amount in the banks typically exceeded FDIC coverage during the year, historically the Foundation has not experienced any losses on such accounts. Management believes it is not exposed to any significant credit risk on such accounts.

#### *Receivable – State Regional Center Contracts*

Receivables and contract support are recorded on the accrual method as related expenses are incurred.

#### *Receivables from Intermediate Care Facility Providers*

The Centers for Medicare and Medicaid Services (CMS) approved federal financial participation in the funding of day and related transportation services purchased by the Foundation for consumers who reside in Intermediate Care Facilities (ICFs). CMS agreed that the day and related transportation services are part of the ICF service; however, the federal rules allow for only one provider of the ICF service. Accordingly, all the Medicaid funding for the ICF residents must go through the applicable ICF provider. The Foundation receives a 1.5% administrative fee based on the funds received to cover the additional workload.

The DDS has directed the Foundation to prepare billings for these services on behalf of the ICFs and submit a separate state claim report for these services. The Foundation was directed to reduce the amount of their regular state claim to DDS by the dollar amount of these services. Reimbursement for these services will be received from the ICFs. DDS advances the amount according to the state claim to the ICFs. The ICFs are then required to pass on the payments received, as well as the Foundation's administrative fee to the Foundation within 30 days of receipt of funds from the State Controller's Office.

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies  
(Continued)**

***Investments***

Investments are recorded at fair market value based on quoted market prices 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 statements of activities.

***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. For the years ended June 30, 2022 and 2021, equipment purchases totaled approximately \$836,000 and \$79,000, respectively.

***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. The Foundation has also recorded a receivable from the State for the accrued leave benefits to reflect the future reimbursement of such benefits. 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.

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies  
(Continued)**

***Deferred Revenue***

The Foundation received advances from the CARES Act-Provider Relief Fund and recognizes revenue as the Foundation incurs qualifying expenditures. Any unspent amount is classified as deferred revenue until incurring qualifying expenditures. At June 30, 2021, the Foundation had \$111,664 of deferred revenue related to the CARES Act-Provider Relief Fund. At June 30, 2022, the Foundation had no deferred revenue.

***Deferred Rent***

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 in accordance with the Lanterman Act. Approximately 99% of revenue is derived from this source.

# **LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021**

### **NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

#### ***Contributions***

Contributions, including unconditional promises to give, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. 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.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as contributions with donor restrictions. When a donor's stipulated time restriction ends or purpose restriction is accomplished, the original contributions are released from net assets with donor restrictions to net asset without donor restrictions and reported in the statements of activities as net assets released from restrictions. Restricted contributions and net assets that have restrictions stipulated by the donor that the corpus be invested in perpetuity with only income be made available for operations are also reported in net assets with donor restrictions.

#### ***Labor Concentration***

Approximately 82% of the employees of the Foundation 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, 2025.

#### ***Income Taxes***

The Foundation has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code. Tax-exempt status is generally granted to nonprofit entities organized for charitable or mutual benefit purposes.

# LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

#### *Income Taxes (Continued)*

The Foundation recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

#### *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.

#### *Recently Issued Accounting Pronouncement*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and functional expenses. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

#### *Subsequent Events*

The Foundation's management has evaluated subsequent events from the statements of position date through February 28, 2023, the date the financial statements were available to be issued for the year ended June 30, 2022 and noted no other events to disclose.

# LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### NOTE 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 statements of financial position date, comprise the following:

According to the Foundation'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 Foundation'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 Foundation maintains a line of credit (see Note 5) 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.

	<b>For the Year Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Financial Assets:		
Cash and cash equivalents	\$ 26,925,509	\$ 13,202,663
Investments	1,361,178	1,549,774
Receivables – State Regional Center contracts	2,188,082	15,448,281
Receivable from intermediate care facility providers	274,173	227,686
	<u>30,748,942</u>	<u>30,428,404</u>
Less: Due to State – intermediate care facility providers	(3,646)	(3,646)
Less: Amounts of net assets subject to restriction for spending on a specific purpose	(210,699)	(176,724)
Less: Endowment funds restricted in perpetuity	<u>(354,371)</u>	<u>(353,839)</u>
Total financial assets available within one year	<u>\$ 30,180,226</u>	<u>\$ 29,894,195</u>

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 3 – Contract Receivable - State of California**

The Foundation's major source of revenue is from the DDS. Each fiscal year, the Foundation enters into a new contract with the DDS for a specified funding amount subject to budget amendments. Revenue from the DDS is recognized monthly when a claim for reimbursement of actual qualifying expenses is filed with the DDS. These reimbursement claims are paid at the DDS' discretion either through direct payments to the Foundation or by applying the claims reimbursements against advances already made to the Foundation.

As of June 30, 2022 and 2021, the DDS has advanced the Foundation \$81,164,275 and \$53,839,585, respectively, under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these claims have been offset against the advances from the State as follows:

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
Contracts receivable	\$ 83,352,357	\$ 69,287,866
Contract advances	<u>(81,164,275)</u>	<u>(53,839,585)</u>
Net contracts receivable/contract advances	<u>\$ 2,188,082</u>	<u>\$ 15,448,281</u>

The Foundation has renewed its contract with the State for the fiscal year ending June 30, 2023. The contract and amendments through the issuance of these financial statements provides for funding of \$382,777,493.

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 4 – 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 for the years ended June 30, 2022 and 2021:

	<b>For the Year Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Support		
Social security and other client support	<u>\$ 11,158,887</u>	<u>\$ 12,343,857</u>
Disbursements		
Living out of own home	\$ 7,257,871	\$ 8,726,265
Other disbursements	<u>3,901,016</u>	<u>3,617,592</u>
Total Disbursements	<u>\$ 11,158,887</u>	<u>\$ 12,343,857</u>

**NOTE 5 – Line of Credit**

The Foundation has a revolving note with City National Bank whereby it could borrow up to \$28,000,000 until June 30, 2023. Interest on the outstanding balance was payable at the greater of 2.25% or 1% below the bank's prime rate. No amount was outstanding on the revolving note as of June 30, 2022.

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 6 – Other Purchased Services**

Other purchased services for the years ended June 30, 2022 and 2021 consisted of the following:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Nonmedical services	\$ 37,683,539	\$ 36,541,597
Respite	51,211,341	52,761,019
Other authorized services	51,458,858	46,834,041
Medical care	7,811,960	7,053,452
Transportation	2,207,135	2,480,903
Prevention services	17,884,982	15,221,828
Camps	77,486	77,388
Medical equipment	119,794	113,181
Home care services	<u>5,295,520</u>	<u>3,859,517</u>
Subtotal – Regional Center		
Other purchased services	173,750,615	164,942,926
Purchased services from donation		
Special project funds	<u>86,213</u>	<u>131,767</u>
Total - Other Purchased Services	<u>\$173,836,828</u>	<u>\$165,074,693</u>

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 7 – Net Assets**

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions		
Undesignated	\$ 1,636,503	\$ 1,825,568
Total net assets without donor restrictions	<u>\$ 1,636,503</u>	<u>\$ 1,825,568</u>
Net Assets With Donor Restrictions		
Subject to Expenditures for Specified Purpose		
Client assistance	\$ 89,363	\$ 55,392
Resource center	8,362	8,362
Lanterman internship	21,735	21,735
Dental care	1,655	1,655
Infant and toddler programs	47,395	47,395
Other	42,189	42,185
	<u>210,699</u>	<u>176,724</u>
Restricted by Donors in Perpetuity		
Subject to Expenditures for Specified Purpose	<u>354,371</u>	<u>353,839</u>
	<u>354,371</u>	<u>353,839</u>
Total net assets with donor restrictions	<u>\$ 565,070</u>	<u>\$ 530,563</u>

**NOTE 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.

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 8 – Endowment (Continued)**

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 restrictions: (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 restrictions.

The restricted portion of the endowment funds has 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, 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.

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 8 – Endowment (Continued)**

Changes in endowment net assets were as follows:

	<u><b>For the Year Ended June 30, 2022</b></u>		
	<u><b>Without Donor Restrictions</b></u>	<u><b>Restricted in Perpetuity</b></u>	<u><b>Total</b></u>
Beginning of year	\$ 1,195,935	\$ 353,839	\$ 1,549,774
Investment return:			
Investment income	200,193	532	200,725
Investment expense	(4,845)	-	(4,845)
Net depreciation	(384,576)	-	(384,576)
Total investment return	<u>(189,228)</u>	<u>532</u>	<u>(188,696)</u>
Contributions	<u>100</u>	<u>-</u>	<u>100</u>
End of year	<u>\$ 1,006,807</u>	<u>\$ 354,371</u>	<u>\$ 1,361,178</u>

	<u><b>For the Year Ended June 30, 2021</b></u>		
	<u><b>Without Donor Restrictions</b></u>	<u><b>Restricted in Perpetuity</b></u>	<u><b>Total</b></u>
Beginning of year	\$ 879,043	\$ 352,911	\$ 1,231,954
Investment return:			
Investment income	138,925	928	139,853
Investment expense	(3,371)	-	(3,371)
Net depreciation	181,313	-	181,313
Total investment return	<u>316,867</u>	<u>928</u>	<u>317,795</u>
Contributions	<u>25</u>	<u>-</u>	<u>25</u>
End of year	<u>\$ 1,195,935</u>	<u>\$ 353,839</u>	<u>\$ 1,549,774</u>

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 9 – Commitments and Contingencies**

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, 2022, are payable as follows:

<u>Year Ending June 30,</u>	
2023	\$ 2,398,378
2024	2,476,038
2025	2,543,993
2026	2,621,656
2027-2030	<u>5,476,302</u>
	<u>\$ 15,516,367</u>

Total rental expense, including monthly parking and storage costs, for the year ended June 30, 2022, was approximately \$2,733,000.

***Contingencies***

The Foundation is dependent on continued funding provided by the DDS to operate and provide services for its clients. The Foundation's contract with the DDS provides funding for services under the Act. In the event that the operations of the Foundation result in a deficit position at the end of any contract year, the DDS may reallocate surplus funds within the state of California system to supplement the Foundation's funding. Should a system-wide deficit occur, the DDS is required to report to the governor of California and the appropriate fiscal committee of the State Legislature and recommend actions to secure additional funds or reduce expenditures. The DDS's recommendations are subsequently reviewed by the governor and the Legislature and a decision is made with regard to specific actions.

In accordance with the terms of the DDS contract, an audit may be performed by an authorized state representative. Should such an 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 would be immaterial to the financial statements.

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 9 – Commitments and Contingencies (Continued)**

***Legal Proceedings***

The Foundation is subject to various legal proceedings and claims arising in the ordinary course of its business. While the ultimate outcome of these matters is difficult to predict, management believes that the ultimate resolution of these matters will not have a material adverse effect on the Foundation's financial position or activities.

**NOTE 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, 2022 and 2021 was approximately \$1,967,000 and \$1,728,000, respectively.

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

<b>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Grant Identification Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education Passed through State of California Department of Developmental Services</b>			
Special Education – Grants for Infants and Families	84.181A	HD199010B	<u>\$ 5,161,169</u>
<b>U.S. Department of Health and Human Services</b>			
COVID-19 – Provider Relief Fund	93.498	FY 2021	213,501
COVID-19 – Provider Relief Fund	93.498	FY 2022	<u>111,664</u>
			<u>325,165</u>
Total federal expenditures			<u>\$ 5,486,334</u>

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Los Angeles County Developmental Services Foundation under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Los Angeles County Developmental Services Foundation for the Developmentally Disabled, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Los Angeles County Developmental Services Foundation.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting and based on state contract budget allocations. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C - INDIRECT COST RATE**

Los Angeles County Developmental Services Foundation has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

# LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

## SCHEDULE OF FINANCIAL POSITION BY FUND JUNE 30, 2022

<b>ASSETS</b>	<b>Regional Center</b>	<b>Client Trust Funds</b>	<b>Endowment Fund</b>	<b>Donation Funds</b>	<b>Special Project Funds</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 26,085,114	\$ -	\$ -	\$ 174,535	\$ 665,860	\$ 26,925,509
Cash and cash equivalents - client trust fund	-	3,055,094	-	-	-	3,055,094
Investments	-	-	1,361,178	-	-	1,361,178
Receivable - State Regional Center contracts	2,188,082	-	-	-	-	2,188,082
Receivable - Intermediate care facility providers	274,173	-	-	-	-	274,173
Interfund receivable (payable)	129,296	(129,296)	-	-	-	-
Other receivables	169,540	108,941	-	-	-	278,481
Prepaid expenses	384,580	-	-	-	-	384,580
Due from State - accrued vacation leave benefits	1,401,300	-	-	-	-	1,401,300
Due from State - deferred rent	1,183,888	-	-	-	-	1,183,888
Deposits	119,785	-	-	-	-	119,785
<b>TOTAL ASSETS</b>	<b>\$ 31,935,758</b>	<b>\$ 3,034,739</b>	<b>\$ 1,361,178</b>	<b>\$ 174,535</b>	<b>\$ 665,860</b>	<b>\$ 37,172,070</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 28,144,846	\$ 1,292,926	\$ -	\$ -	\$ -	\$ 29,437,772
Accrued salaries and payroll taxes	1,067,806	-	-	-	-	1,067,806
Accrued pension	134,272	-	-	-	-	134,272
Accrued vacation leave benefits	1,401,300	-	-	-	-	1,401,300
Deferred revenue	-	-	-	-	-	-
Due to State - Intermediate care facility providers	3,646	-	-	-	-	3,646
Deferred rent	1,183,888	-	-	-	-	1,183,888
Unexpended client support	-	1,741,813	-	-	-	1,741,813
<b>TOTAL LIABILITIES</b>	<b>31,935,758</b>	<b>3,034,739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,970,497</b>
<b>NET ASSETS</b>						
Without donor restrictions	-	-	1,006,807	-	629,696	1,636,503
With donor restrictions	-	-	354,371	174,535	36,164	565,070
<b>TOTAL NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>1,361,178</b>	<b>174,535</b>	<b>665,860</b>	<b>2,201,573</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 31,935,758</b>	<b>\$ 3,034,739</b>	<b>\$ 1,361,178</b>	<b>\$ 174,535</b>	<b>\$ 665,860</b>	<b>\$ 37,172,070</b>

# LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

## SCHEDULE OF ACTIVITIES BY FUND FOR THE YEAR ENDED JUNE 30, 2022

	Regional Center	Endowment Fund	Donation Funds	Special Project Funds	Total
<b>REVENUE AND SUPPORT</b>					
State Regional Center contracts	\$ 299,243,440	\$ -	\$ -	\$ -	\$ 299,243,440
Intermediate Care Facility supplemental services income	432,798	-	-	-	432,798
CARES Act - Provider Relief Fund	111,664	-	-	-	111,664
Interest and dividend income, net of fees	4,127	9,750	10	63	13,950
Donations and grants	-	100	120,177	-	120,277
Investment loss	-	(198,445)	-	-	(198,445)
<b>TOTAL REVENUE AND SUPPORT</b>	<u>299,792,029</u>	<u>(188,595)</u>	<u>120,187</u>	<u>63</u>	<u>299,723,684</u>
<b>EXPENSES</b>					
Program Services					
Direct consumer services	296,046,214	-	86,213	-	296,132,427
Supporting Services:					
Management and general	<u>3,745,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,745,815</u>
<b>TOTAL EXPENSES</b>	<u>299,792,029</u>	<u>-</u>	<u>86,213</u>	<u>-</u>	<u>299,878,242</u>
<b>CHANGE IN NET ASSETS</b>	-	(188,595)	33,974	63	(154,558)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>-</u>	<u>1,549,774</u>	<u>140,560</u>	<u>665,797</u>	<u>2,356,131</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 1,361,179</u>	<u>\$ 174,534</u>	<u>\$ 665,860</u>	<u>\$ 2,201,573</u>

**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 of  
Los Angeles County Developmental Services Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Los Angeles County Developmental Services Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Los Angeles County Developmental Services 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 Los Angeles County Developmental Services Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California  
February 28, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Los Angeles County Developmental Services Foundation's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Los Angeles County Developmental Services Foundation's major federal program for the year ended June 30, 2022. Los Angeles County Developmental Services Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Los Angeles County Developmental Services 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Los Angeles County Developmental Services Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Los Angeles County Developmental Services Foundation's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Los Angeles County Developmental Services Foundation's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Los Angeles County Developmental Services Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Los Angeles County Developmental Services Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Los Angeles County Developmental Services Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Los Angeles County Developmental Services Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Los Angeles County Developmental Services Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Long Beach, California  
February 28, 2023

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

The auditors’ report expresses an unmodified opinion on whether the financial statements of Los Angeles County Developmental Services Foundation were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting:

Material weakness(es) identified? – No

Significant deficiencies identified? – None reported

Noncompliance material to financial statements noted? – No

**Federal awards**

Internal control over major programs

Material weakness(es) identified? – No

Significant deficiencies identified? – None reported

Type of auditors’ report issued on compliance for major programs? – Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? – No

Identification of major program: Special Education – Grants for Infants and Families, CFDA #84.181A

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

Auditee qualified as low-risk auditee? – Yes

**SECTION II – FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**SECTION III – FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None