

Los Angeles County Developmental Services Foundation

Los Angeles, California

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS**

June 30, 2016 and 2015



Los Angeles County Developmental Services Foundation

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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 (the Foundation), a California nonprofit corporation, which comprise the statements of financial position as of June 30, 2016 and 2015; 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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, 2016 and 2015, 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 audit was 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 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 27, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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 27, 2016
Aiello, Goodrich & Teuscher
An Accountancy Corporation
Redding, California

FINANCIAL SECTION

Los Angeles County Developmental Services Foundation

STATEMENTS OF FINANCIAL POSITION

| June 30 | 2016 | 2015 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 8,349,025 | \$ 1,963,418 |
| Cash and cash equivalents - client trust funds | 1,802,093 | 1,930,635 |
| Investments | 1,430,257 | 1,490,626 |
| Receivable - State Regional Center contracts | 32,191,595 | 38,498,739 |
| Receivable - ICF providers | 696,944 | 950,878 |
| Other receivables | 92,827 | 65,171 |
| Prepaid expenses | 413,533 | 197,287 |
| Due from state - accrued vacation leave benefits | 627,474 | 629,932 |
| Deposits | 119,785 | 119,785 |
| TOTAL ASSETS | \$ 45,723,533 | \$ 45,846,471 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 14,677,218 | \$ 14,164,284 |
| Advance - State Regional Center contracts | 27,214,902 | 25,989,278 |
| Accrued salaries and payroll taxes | 215,191 | 533,607 |
| Accrued pension contribution | 90,964 | 55,455 |
| Accrued vacation leave benefits | 627,474 | 629,932 |
| Due to ICF supplemental services | 176,354 | 1,521,800 |
| Client trust funds liability | 1,169,488 | 1,313,487 |
| Total Liabilities | 44,171,591 | 44,207,843 |
| Net Assets | | |
| Unrestricted: | | |
| Undesignated | 121,685 | 148,002 |
| Board-designated endowment fund | 1,084,162 | 1,144,986 |
| Total Unrestricted | 1,205,847 | 1,292,988 |
| Permanently restricted | 346,095 | 345,640 |
| Total Net Assets | 1,551,942 | 1,638,628 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 45,723,533 | \$ 45,846,471 |

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

Los Angeles County Developmental Services Foundation

STATEMENTS OF ACTIVITIES

| Year Ended June 30, 2016 | Unrestricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------|
| REVENUE | | | |
| State Regional Center contracts | \$ 152,020,997 | \$ - | \$ 152,020,997 |
| Intermediate Care Facility supplemental services income | 1,851,656 | - | 1,851,656 |
| Intermediate Care Facility administrative fee | 35,316 | - | 35,316 |
| Interest and dividend income | 26,765 | 355 | 27,120 |
| Other income | 1,314 | - | 1,314 |
| Donations and grants | 127,658 | 100 | 127,758 |
| Unrealized gain (loss) on investments | (80,857) | - | (80,857) |
| TOTAL REVENUE | 153,982,849 | 455 | 153,983,304 |
| EXPENSES | | | |
| Program Services | | | |
| Intake | 860,810 | - | 860,810 |
| Service coordination | 12,812,231 | - | 12,812,231 |
| Program development | 712,276 | - | 712,276 |
| Monitoring and evaluation | 507,751 | - | 507,751 |
| Clinical services | 762,929 | - | 762,929 |
| Family support | 543,590 | - | 543,590 |
| Training and development | 114,351 | - | 114,351 |
| Consumer benefits coordination | 212,353 | - | 212,353 |
| Living out of own home | 39,031,286 | - | 39,031,286 |
| Day program | 26,960,372 | - | 26,960,372 |
| Other purchased services | 69,149,991 | - | 69,149,991 |
| Total Program Services | 151,667,940 | - | 151,667,940 |
| Supporting Services | | | |
| Management and general | 2,402,050 | - | 2,402,050 |
| Total Supporting Services | 2,402,050 | - | 2,402,050 |
| TOTAL EXPENSES | 154,069,990 | - | 154,069,990 |
| Changes in Net Assets | (87,141) | 455 | (86,686) |
| Net Assets - Beginning of Year | 1,292,988 | 345,640 | 1,638,628 |
| Net Assets - End of Year | \$ 1,205,847 | \$ 346,095 | \$ 1,551,942 |

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, 2015 | Unrestricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------|
| REVENUE | | | |
| State Regional Center contracts | \$ 143,715,263 | \$ - | \$ 143,715,263 |
| Intermediate Care Facility supplemental services income | 3,386,539 | - | 3,386,539 |
| Intermediate Care Facility administrative fee | 50,802 | - | 50,802 |
| Interest and dividend income | 28,213 | 1,385 | 29,598 |
| Other income | 319 | - | 319 |
| Donations and grants | 130,659 | 250 | 130,909 |
| Unrealized gain on investments | (24,393) | - | (24,393) |
| TOTAL REVENUE | 147,287,402 | 1,635 | 147,289,037 |
| EXPENSES | | | |
| Program Services | | | |
| Intake | 850,662 | - | 850,662 |
| Service coordination | 12,262,551 | - | 12,262,551 |
| Program development | 653,417 | - | 653,417 |
| Monitoring and evaluation | 537,592 | - | 537,592 |
| Clinical services | 794,581 | - | 794,581 |
| Family support | 362,020 | - | 362,020 |
| Training and development | 137,565 | - | 137,565 |
| Consumer benefits coordination | 231,657 | - | 231,657 |
| Living out of own home | 36,919,329 | - | 36,919,329 |
| Day program | 25,761,388 | - | 25,761,388 |
| Other purchased services | 66,141,399 | - | 66,141,399 |
| Total Program Services | 144,652,161 | - | 144,652,161 |
| Supporting Services | | | |
| Management and general | 2,637,609 | - | 2,637,609 |
| Total Supporting Services | 2,637,609 | - | 2,637,609 |
| TOTAL EXPENSES | 147,289,770 | - | 147,289,770 |
| Changes in Net Assets | (2,368) | 1,635 | (733) |
| Net Assets - Beginning of Year | 1,295,356 | 344,005 | 1,639,361 |
| Net Assets - End of Year | \$ 1,292,988 | \$ 345,640 | \$ 1,638,628 |

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

Los Angeles County Developmental Services Foundation

STATEMENTS OF FUNCTIONAL EXPENSES

| | Program Services | | | | | | | | | |
|--|-------------------|----------------------|---------------------|---------------------------|-------------------|-------------------|--------------------------|----------------------|--|--|
| | | | | | | | | | | |
| Year Ended June 30, 2016 | Intake | Service Coordination | Program Development | Monitoring and Evaluation | Clinical Services | Family Support | Training and Development | Balance Forward | | |
| Salaries | \$ 536,165 | \$ 7,980,378 | \$ 443,659 | \$ 316,271 | \$ 475,208 | \$ 397,099 | \$ 71,218 | \$ 10,219,998 | | |
| Employee health and retirement benefits | 133,831 | 1,991,960 | 110,741 | 78,944 | 118,615 | 60,401 | 17,776 | 2,512,268 | | |
| Payroll taxes | 9,230 | 137,382 | 7,638 | 5,445 | 8,181 | 4,166 | 1,226 | 173,268 | | |
| Total Salaries and Related Expenses | 679,226 | 10,109,720 | 562,038 | 400,660 | 602,004 | 461,666 | 90,220 | 12,905,534 | | |
| Purchase of services | - | - | - | - | - | - | - | - | | |
| Facility and equipment maintenance | - | - | - | - | - | - | - | - | | |
| Communications | 10,628 | 158,184 | 8,794 | 6,269 | 9,419 | 4,797 | 1,412 | 199,503 | | |
| General office expenses | 19,346 | 287,956 | 16,009 | 11,412 | 17,147 | 8,732 | 2,570 | 363,172 | | |
| Insurance - property and earthquake | 6,163 | 91,732 | 5,100 | 3,635 | 5,462 | 2,782 | 819 | 115,693 | | |
| Insurance | - | - | - | - | - | - | - | - | | |
| Data processing | 12,143 | 180,663 | 10,042 | 7,156 | 10,758 | 5,471 | 1,616 | 227,849 | | |
| Legal fees | 5,134 | 76,413 | 4,248 | 3,028 | 4,550 | 2,317 | 682 | 96,372 | | |
| Board of Directors' expenses | - | - | - | - | - | - | - | - | | |
| Equipment purchases | 10,421 | 155,105 | 8,623 | 6,147 | 9,236 | 4,703 | 1,384 | 195,619 | | |
| Contract/consulting services | 28,134 | 418,592 | 23,267 | 16,581 | 24,925 | 12,677 | 3,744 | 527,920 | | |
| Travel | 5,555 | 82,687 | 4,597 | 3,277 | 4,924 | 2,507 | 738 | 104,285 | | |
| General expenses | 4,003 | 59,587 | 3,313 | 2,362 | 3,548 | 1,807 | 532 | 75,152 | | |
| Accounting fees | - | - | - | - | - | - | - | - | | |
| Printing | 1,392 | 20,726 | 1,152 | 821 | 1,234 | 628 | 185 | 26,138 | | |
| ARCA dues | - | - | - | - | - | - | - | - | | |
| Facility rent | 78,665 | 1,170,866 | 65,093 | 46,403 | 69,722 | 35,503 | 10,449 | 1,476,701 | | |
| Total | \$ 860,810 | \$ 12,812,231 | \$ 712,276 | \$ 507,751 | \$ 762,929 | \$ 543,590 | \$ 114,351 | \$ 16,313,938 | | |

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, 2016 | Program Services | | | | | | Supporting Services | |
|--|-------------------------|--------------------------------|------------------------|----------------------|--------------------------|-----------------------|------------------------|-----------------------|
| | Balance Brought Forward | Consumer Benefits Coordination | Living Out of Own Home | Day Program | Other Purchased Services | Total Program | Management and General | Total Expenses |
| Salaries | \$ 10,219,998 | \$ 132,255 | \$ - | \$ - | \$ - | \$ 10,352,253 | \$ 1,254,492 | \$ 11,606,745 |
| Employee health and retirement benefits | 2,512,268 | 33,012 | - | - | - | 2,545,280 | 313,130 | 2,858,410 |
| Payroll taxes | 173,268 | 2,277 | - | - | - | 175,545 | 21,595 | 197,140 |
| Total Salaries and Related Expenses | 12,905,534 | 167,544 | - | - | - | 13,073,078 | 1,589,217 | 14,662,295 |
| Purchase of services | - | - | 39,031,286 | 26,960,372 | 69,149,991 | 135,141,649 | - | 135,141,649 |
| Facility and equipment maintenance | - | - | - | - | - | - | 81,137 | 81,137 |
| Communications | 199,503 | 2,622 | - | - | - | 202,125 | 24,865 | 226,990 |
| General office expenses | 363,172 | 4,772 | - | - | - | 367,944 | 45,265 | 413,209 |
| Insurance - property and earthquake | 115,693 | 1,520 | - | - | - | 117,213 | 14,420 | 131,633 |
| Insurance | - | - | - | - | - | - | 20,736 | 20,736 |
| Data processing | 227,849 | 3,001 | - | - | - | 230,850 | 230,849 | 461,699 |
| Legal fees | 96,372 | 1,266 | - | - | - | 97,638 | 12,013 | 109,651 |
| Board of Directors' expenses | - | - | - | - | - | - | 19,355 | 19,355 |
| Equipment purchases | 195,619 | 2,570 | - | - | - | 198,189 | 24,383 | 222,572 |
| Contract/consulting services | 527,920 | 6,953 | - | - | - | 534,873 | 26,085 | 560,958 |
| Travel | 104,285 | 1,370 | - | - | - | 105,655 | 12,999 | 118,654 |
| General expenses | 75,152 | 988 | - | - | - | 76,140 | 9,366 | 85,506 |
| Accounting fees | - | - | - | - | - | - | 51,000 | 51,000 |
| Printing | 26,138 | 343 | - | - | - | 26,481 | 3,260 | 29,741 |
| ARCA dues | - | - | - | - | - | - | 53,044 | 53,044 |
| Facility rent | 1,476,701 | 19,404 | - | - | - | 1,496,105 | 184,056 | 1,680,161 |
| Total | \$ 16,313,938 | \$ 212,353 | \$ 39,031,286 | \$ 26,960,372 | \$ 69,149,991 | \$ 151,667,940 | \$ 2,402,050 | \$ 154,069,990 |

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, 2015 | Intake | Service Coordination | Program Development | Monitoring and Evaluation | Clinical Services | Family Support | Training and Development | Balance Forward | | |
| Salaries | \$ 513,160 | \$ 7,397,141 | \$ 394,150 | \$ 324,273 | \$ 479,313 | \$ 218,366 | \$ 82,979 | \$ 9,409,382 | | |
| Employee health and retirement benefits | 121,027 | 1,744,595 | 92,959 | 76,479 | 113,045 | 51,501 | 19,570 | 2,219,176 | | |
| Payroll taxes | 9,021 | 130,037 | 6,929 | 5,701 | 8,426 | 3,839 | 1,459 | 165,412 | | |
| Total Salaries and Related Expenses | 643,208 | 9,271,773 | 494,038 | 406,453 | 600,784 | 273,706 | 104,008 | 11,793,970 | | |
| Purchase of services | - | - | - | - | - | - | - | - | | |
| Facility and equipment maintenance | - | - | - | - | - | - | - | - | | |
| Communications | 8,857 | 127,666 | 6,803 | 5,597 | 8,272 | 3,769 | 1,432 | 162,396 | | |
| General office expenses | 25,379 | 365,840 | 19,493 | 16,038 | 23,705 | 10,800 | 4,104 | 465,359 | | |
| Insurance - property and earthquake | 1,518 | 21,884 | 1,166 | 959 | 1,418 | 646 | 245 | 27,836 | | |
| Insurance | 5,378 | 77,521 | 4,131 | 3,398 | 5,023 | 2,288 | 870 | 98,609 | | |
| Data processing | 13,328 | 192,246 | 10,250 | 8,438 | 12,459 | 5,684 | 2,159 | 244,564 | | |
| Legal fees | 12,336 | 177,827 | 9,475 | 7,796 | 11,523 | 5,250 | 1,995 | 226,202 | | |
| Board of Directors' expenses | - | - | - | - | - | - | - | - | | |
| Equipment purchases | 20,085 | 289,517 | 15,427 | 12,692 | 18,760 | 8,547 | 3,248 | 368,276 | | |
| Contract/consulting services | 23,334 | 336,587 | 17,946 | 14,774 | 21,813 | 9,951 | 3,780 | 428,185 | | |
| Travel | 4,984 | 71,846 | 3,828 | 3,150 | 4,655 | 2,121 | 806 | 91,390 | | |
| General expenses | 3,269 | 47,124 | 2,511 | 2,066 | 3,053 | 1,391 | 529 | 59,943 | | |
| Accounting fees | - | - | - | - | - | - | - | - | | |
| Printing | 3,376 | 48,665 | 2,593 | 2,133 | 3,153 | 1,437 | 546 | 61,903 | | |
| ARCA dues | - | - | - | - | - | - | - | - | | |
| Facility rent | 85,610 | 1,234,055 | 65,756 | 54,098 | 79,963 | 36,430 | 13,843 | 1,569,755 | | |
| Total | \$ 850,662 | \$ 12,262,551 | \$ 653,417 | \$ 537,592 | \$ 794,581 | \$ 362,020 | \$ 137,565 | \$ 15,598,388 | | |

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, 2015 | Program Services | | | | | | | Supporting Services | |
|--|-------------------------|--------------------------------|------------------------|----------------------|--------------------------|-----------------------|-----------|------------------------|-----------------------|
| | Balance Brought Forward | Consumer Benefits Coordination | Living Out of Own Home | Day Program | Other Purchased Services | Total Program | | Management and General | Total Expenses |
| Salaries | \$ 9,409,382 | \$ 139,755 | \$ - | \$ - | \$ - | \$ 9,549,137 | \$ | 1,369,153 | \$ 10,918,290 |
| Employee health and retirement benefits | 2,219,176 | 32,962 | - | - | - | 2,252,138 | | 322,910 | 2,575,048 |
| Payroll taxes | 165,412 | 2,456 | - | - | - | 167,868 | | 24,069 | 191,937 |
| Total Salaries and Related Expenses | 11,793,970 | 175,173 | - | - | - | 11,969,143 | | 1,716,132 | 13,685,275 |
| Purchase of services | - | - | 36,919,329 | 25,761,388 | 66,141,399 | 128,822,116 | | - | 128,822,116 |
| Facility and equipment maintenance | - | - | - | - | - | - | | 84,277 | 84,277 |
| Communications | 162,396 | 2,412 | - | - | - | 164,808 | | 23,629 | 188,437 |
| General office expenses | 465,359 | 6,912 | - | - | - | 472,271 | | 67,714 | 539,985 |
| Insurance - property and earthquake | 27,836 | 414 | - | - | - | 28,250 | | 4,051 | 32,301 |
| Insurance | 98,609 | 1,464 | - | - | - | 100,073 | | 14,349 | 114,422 |
| Data processing | 244,564 | 3,625 | - | - | - | 248,189 | | 248,187 | 496,376 |
| Legal fees | 226,202 | 3,359 | - | - | - | 229,561 | | 32,914 | 262,475 |
| Board of Directors' expenses | - | - | - | - | - | - | | 12,394 | 12,394 |
| Equipment purchases | 368,276 | 5,469 | - | - | - | 373,745 | | 53,586 | 427,331 |
| Contract/consulting services | 428,185 | 6,346 | - | - | - | 434,531 | | 18,391 | 452,922 |
| Travel | 91,390 | 1,359 | - | - | - | 92,749 | | 13,297 | 106,046 |
| General expenses | 59,943 | 890 | - | - | - | 60,833 | | 8,722 | 69,555 |
| Accounting fees | - | - | - | - | - | - | | 49,500 | 49,500 |
| Printing | 61,903 | 920 | - | - | - | 62,823 | | 9,007 | 71,830 |
| ARCA dues | - | - | - | - | - | - | | 53,044 | 53,044 |
| Facility rent | 1,569,755 | 23,314 | - | - | - | 1,593,069 | | 228,415 | 1,821,484 |
| Total | \$ 15,598,388 | \$ 231,657 | \$ 36,919,329 | \$ 25,761,388 | \$ 66,141,399 | \$ 144,652,161 | \$ | 2,637,609 | \$ 147,289,770 |

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 | 2016 | 2015 |
|--|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (86,686) | \$ (733) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Unrealized (gain) loss on investments | 80,857 | 24,393 |
| Dividends reinvested | (20,388) | (22,916) |
| (Increase) decrease in: | | |
| Receivable - State Regional Center contracts | 6,307,144 | 743,528 |
| Receivable - ICF providers | 253,934 | (338,247) |
| Other receivables | (27,656) | 10,660 |
| Prepaid expenses | (216,246) | 68,055 |
| Due from state - accrued vacation leave benefits | 2,458 | (70,019) |
| Increase (decrease) in: | | |
| Accounts payable | 512,934 | 828,182 |
| Advance - State Regional Center contracts | 1,225,624 | (5,036,388) |
| Accrued salaries and payroll taxes | (318,416) | 36,041 |
| Accrued pension contribution | 35,509 | 2,114 |
| Accrued vacation leave benefits | (2,458) | 70,019 |
| Due to ICF supplemental services | (1,345,446) | 982,214 |
| Client trust fund liability | (143,999) | 31,353 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 6,257,165 | (2,671,744) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (100) | (2,618) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (100) | (2,618) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds received from line of credit | 7,370,091 | 2,651,203 |
| Repayment line of credit | (7,370,091) | (2,651,203) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | - | - |
| Net Increase (Decrease) in Cash | 6,257,065 | (2,674,362) |
| Cash - Beginning of Year | 3,894,053 | 6,568,415 |
| Cash - End of Year | \$ 10,151,118 | \$ 3,894,053 |
| COMPONENTS OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents | \$ 8,349,025 | \$ 1,963,418 |
| Cash and cash equivalents - client trust funds | 1,802,093 | 1,930,635 |
| Total Cash and Cash Equivalents | \$ 10,151,118 | \$ 3,894,053 |

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

Los Angeles County Developmental Services Foundation

NOTES TO THE 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 three classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Unrestricted Net Assets: Represents resources over which the Board of Directors has discretionary control and that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets: Represents resources whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted Net Assets: Represents resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

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, 2016, cash exceeded federally insured limits by \$10,293,998. 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.

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.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 ICF Supplemental Services, DDS 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.

Receivable – ICF providers and Due to ICF supplemental services balances consisted of the following at June 30, 2016:

| Years Ended | Receivable - ICF Providers | Due to ICF Supplemental Services |
|---------------|-------------------------------|--|
| June 30, 2012 | \$ 179,000 | \$ 176,354 |
| June 30, 2013 | - | - |
| June 30, 2014 | 29,635 | - |
| June 30, 2015 | 43,451 | - |
| June 30, 2016 | 444,858 | - |
| Total | \$ 696,944 | \$ 176,354 |

Receivable – ICF providers and Due to ICF supplemental services balances consisted of the following at June 30, 2015:

| Years Ended | Receivable - ICF Providers | Due to ICF Supplemental Services |
|---------------|-------------------------------|--|
| June 30, 2012 | \$ 485,405 | \$ 1,521,800 |
| June 30, 2013 | - | - |
| June 30, 2014 | 34,022 | - |
| June 30, 2015 | 431,451 | - |
| Total | \$ 950,878 | \$ 1,521,800 |

Management considers all receivables to be fully collectible.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 Administration. 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 are credited to the clients' balances.

Equipment Purchase 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.

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

Contributions Contributions are recognized as revenue when they are received or unconditionally pledged.

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.

Vacation 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. However, while a corresponding receivable for these benefits has been recorded from the State, such benefits are reimbursed under State contracts only when benefits have actually been paid.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the Foundation since payment of such benefits is not probable or estimable. Therefore, sick leave benefits are recorded as expenses in the period sick leave is taken.

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, 2016 and 2015, and the Foundation does not expect this to change significantly over the next 12 months.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Restrictions on Net Assets Permanently restricted net assets consist of an endowment fund trust to be held indefinitely. The donor has specified that 95% of the realized income added to the historic dollar value of the fund in a given year is to be used to support the Foundation's activities and the remaining 5% of the realized income is to be accumulated with the principal.

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 \$105,438 and \$105,438 are included in the Family Support program category for the years ended June 30, 2016 and 2015, respectively.

Subsequent Events Management has evaluated subsequent events through December 27, 2016, the date on which the financial statements were available to be issued.

2. 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 | 2016 | 2015 |
|--|---------------|---------------|
| Support | | |
| Social security and other client support | \$ 9,837,254 | \$ 10,402,666 |
| Disbursements | | |
| Living out of own home | \$ 7,118,084 | \$ 7,068,332 |
| Other disbursements | 3,499,465 | 3,316,060 |
| Total Disbursements | \$ 10,617,549 | \$ 10,384,392 |

3. LINE OF CREDIT

The Foundation had a revolving note with City National Bank whereby it could borrow up to \$19,000,000 until June 30, 2016, and then up to \$33,000,000 until the earlier date of October 1, 2016, or the effective date of the State of California's budget for the fiscal year commencing July 1, 2016. Following this period, the Foundation can borrow up to \$19,000,000 until the maturity date of June 30, 2017. Upon receipt of initial State allocation for fiscal year 2016-17 or upon receipt of expense claims checks, the Foundation is required to immediately pay down the bank balance. Interest was payable monthly at the greater of 2.25% or 1% below the bank's prime rate. The Foundation paid \$461 in interest to City National Bank during the 2015-16 fiscal year. No amount was outstanding on the revolving note as of June 30, 2016.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. 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, 2016 | \$ 155,426,111 | \$ 151,322,447 | \$ 4,103,664 |
| June 30, 2015 | \$ 146,280,320 | \$ 145,308,525 | \$ 971,795 |
| June 30, 2014 | \$ 132,380,033 | \$ 132,033,633 | \$ 346,400 |

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.

5. OTHER PURCHASED SERVICES

Other purchased services consisted of the following:

| Years Ended June 30 | 2016 | 2015 |
|--|----------------------|----------------------|
| Nonmedical services | \$ 22,548,723 | \$ 22,808,297 |
| Respite | 9,173,481 | 7,879,703 |
| Other authorized services | 20,136,856 | 19,208,000 |
| Medical care | 2,729,765 | 2,618,536 |
| Transportation | 3,680,959 | 3,626,965 |
| Prevention services | 9,395,345 | 8,114,445 |
| Camps | 200,189 | 202,777 |
| Medical equipment | 120,629 | 173,751 |
| Home care services | 1,010,015 | 1,378,698 |
| Subtotal Other Purchased Services - Regional Center Contracts | 68,995,962 | 66,011,172 |
| Purchased services from donation and special project funds | 154,029 | 130,227 |
| Total Other Purchased Services | \$ 69,149,991 | \$ 66,141,399 |

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6. ENDOWMENT

The Foundation's endowment consists of an individual endowment trust fund established to support the mission of the Foundation and board designated funds. 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 fund is 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 fund that is not classified as permanently restricted net assets as temporarily restricted net assets 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 permanently restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent permanently restricted gifts to the permanent endowment, and (c) accumulations to the permanent 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 unrestricted net assets.

The restricted portion of the endowment fund 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 fund has 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.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Changes in endowment net assets were as follows:

| June 30, 2016 | Unrestricted | Permanently Restricted | Total |
|--------------------------------|--------------|------------------------|--------------|
| Beginning of Year | \$ 1,144,986 | \$ 345,640 | \$ 1,490,626 |
| Investment return: | | | |
| Investment income | 27,533 | 355 | 27,888 |
| Investment expense | (7,500) | - | (7,500) |
| Net depreciation | (80,857) | - | (80,857) |
| Total Investment Return | (60,824) | 355 | (60,469) |
| Contributions | - | 100 | 100 |
| End of Year | \$ 1,084,162 | \$ 346,095 | \$ 1,430,257 |

| June 30, 2015 | Unrestricted | Permanently Restricted | Total |
|--------------------------------|--------------|------------------------|--------------|
| Beginning of Year | \$ 1,145,480 | \$ 344,005 | \$ 1,489,485 |
| Investment return: | | | |
| Investment income | 26,317 | 1,385 | 27,702 |
| Investment expense | (4,786) | - | (4,786) |
| Net depreciation | (24,393) | - | (24,393) |
| Total Investment Return | (2,862) | 1,385 | (1,477) |
| Contributions | 2,368 | 250 | 2,618 |
| End of Year | \$ 1,144,986 | \$ 345,640 | \$ 1,490,626 |

7. COMMITMENTS

The Foundation is obligated under a lease agreement expiring June 2018 for its Los Angeles facility. 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 36-month period.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The future minimum lease commitments, including the tenant allowance as of June 30, 2016, are payable as follows:

Years Ending June 30

| | | |
|--------------|----|------------------|
| 2017 | \$ | 1,420,313 |
| 2018 | | 1,462,922 |
| Total | \$ | 2,883,235 |

Total rental expense, including monthly parking and storage costs, for the years ended June 30, 2016 and 2015, was \$1,680,161 and \$1,821,484, 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, 2016 and 2015, were approximately \$1.3 million and \$1.1 million, respectively.

8. 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, 2016 and 2015, was \$1,180,051 and \$1,149,163, respectively.

9. 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, 2016.

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.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. 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

Los Angeles County Developmental Services Foundation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

| 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) | 15/16 | H181A150037 | 84.181A | \$ 2,818,112 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | 2,818,112 |
| Total Expenditures of Federal Awards | | | | \$ 2,818,112 |

Note: The schedule of expenditures of federal awards is prepared on the cash basis of accounting as provided by the California Department of Developmental Services. 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. The 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, 2016 | Regional Center | Client Trust Funds | Endowment Fund | Donation Funds | Special Project Funds | Total |
|--|----------------------|--------------------------|---------------------|-------------------|-----------------------------|----------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 8,237,524 | \$ - | \$ - | \$ 83,749 | \$ 27,752 | \$ 8,349,025 |
| Cash and cash equivalents - client trust funds | - | 1,802,093 | - | - | - | 1,802,093 |
| Investments | - | - | 1,430,257 | - | - | 1,430,257 |
| Receivable - State Regional Center contracts | 32,191,595 | - | - | - | - | 32,191,595 |
| Receivable - ICF providers | 696,944 | - | - | - | - | 696,944 |
| Interfund receivable (payable) | 24,478 | (24,478) | - | - | - | - |
| Other receivables | 44,459 | 29,583 | - | - | 18,785 | 92,827 |
| Prepaid expenses | 413,533 | - | - | - | - | 413,533 |
| Due from state - accrued vacation leave benefits | 627,474 | - | - | - | - | 627,474 |
| Deposits | 119,785 | - | - | - | - | 119,785 |
| TOTAL ASSETS | \$ 42,355,792 | \$ 1,807,198 | \$ 1,430,257 | \$ 83,749 | \$ 46,537 | \$ 45,723,533 |
| LIABILITIES AND NET ASSETS | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 14,030,907 | \$ 637,710 | \$ - | \$ - | \$ 8,601 | \$ 14,677,218 |
| Advance - State Regional Center contracts | 27,214,902 | - | - | - | - | 27,214,902 |
| Accrued salaries and payroll taxes | 215,191 | - | - | - | - | 215,191 |
| Accrued pension contribution | 90,964 | - | - | - | - | 90,964 |
| Accrued vacation leave benefits | 627,474 | - | - | - | - | 627,474 |
| Due to ICF supplemental services | 176,354 | - | - | - | - | 176,354 |
| Client trust funds liability | - | 1,169,488 | - | - | - | 1,169,488 |
| Total Liabilities | 42,355,792 | 1,807,198 | - | - | 8,601 | 44,171,591 |
| Net Assets | | | | | | |
| Unrestricted: | | | | | | |
| Undesignated | - | - | - | 83,749 | 37,936 | 121,685 |
| Board-designated endowment fund | - | - | 1,084,162 | - | - | 1,084,162 |
| Total Unrestricted | - | - | 1,084,162 | 83,749 | 37,936 | 1,205,847 |
| Permanently restricted | - | - | 346,095 | - | - | 346,095 |
| Total Net Assets | - | - | 1,430,257 | 83,749 | 37,936 | 1,551,942 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 42,355,792 | \$ 1,807,198 | \$ 1,430,257 | \$ 83,749 | \$ 46,537 | \$ 45,723,533 |

Los Angeles County Developmental Services Foundation

SCHEDULE OF ACTIVITIES BY FUND

| Year Ended June 30, 2016 | Regional Center | Endowment Fund | Donation Funds | Special Project Funds | Total |
|--|--------------------|---------------------|-------------------|-----------------------------|---------------------|
| REVENUE | | | | | |
| State Regional Center contracts | \$ 152,020,997 | \$ - | \$ - | \$ - | \$ 152,020,997 |
| Intermediate Care Facility supplemental services income | 1,851,656 | - | - | - | 1,851,656 |
| Intermediate Care Facility administrative fee | 35,316 | - | - | - | 35,316 |
| Interest and dividend income | 6,698 | 20,388 | 19 | 15 | 27,120 |
| Other income | 1,314 | - | - | - | 1,314 |
| Donations and grants | - | 100 | 42,480 | 85,178 | 127,758 |
| Unrealized gain (loss) on investments | - | (80,857) | - | - | (80,857) |
| TOTAL REVENUE | 153,915,981 | (60,369) | 42,499 | 85,193 | 153,983,304 |
| EXPENSES | | | | | |
| Program Services | | | | | |
| Intake | 860,810 | - | - | - | 860,810 |
| Service coordination | 12,812,231 | - | - | - | 12,812,231 |
| Program development | 712,276 | - | - | - | 712,276 |
| Monitoring and evaluation | 507,751 | - | - | - | 507,751 |
| Clinical services | 762,929 | - | - | - | 762,929 |
| Family support | 543,590 | - | - | - | 543,590 |
| Training and development | 114,351 | - | - | - | 114,351 |
| Consumer benefits coordination | 212,353 | - | - | - | 212,353 |
| Living out of own home | 39,031,286 | - | - | - | 39,031,286 |
| Day program | 26,960,372 | - | - | - | 26,960,372 |
| Other purchased services | 68,995,982 | - | 42,109 | 111,900 | 69,149,991 |
| Total Program Services | 151,513,931 | - | 42,109 | 111,900 | 151,667,940 |
| Supporting Services | | | | | |
| Management and general | 2,402,050 | - | - | - | 2,402,050 |
| Total Supporting Services | 2,402,050 | - | - | - | 2,402,050 |
| TOTAL EXPENSES | 153,915,981 | - | 42,109 | 111,900 | 154,069,990 |
| Changes in Net Assets | - | (60,369) | 390 | (26,707) | (86,686) |
| Net Assets - Beginning of Year | - | 1,490,626 | 83,359 | 64,643 | 1,638,628 |
| Net Assets - End of Year | \$ - | \$ 1,430,257 | \$ 83,749 | \$ 37,936 | \$ 1,551,942 |

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 (the Foundation), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2016, 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 27, 2016.

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.

**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 27, 2016
Aiello, Goodrich & Teuscher
An Accountancy Corporation
Redding, California



**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 Each Major Federal Program

We have audited Los Angeles County Developmental Services Foundation's dba the Frank D. Lanterman Regional Center (the Foundation), a California nonprofit corporation, 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 each of the Foundation's major federal programs for the year ended June 30, 2016. 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 each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

**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, 2016.

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 each 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 27, 2016
Aiello, Goodrich & Teuscher
An Accountancy Corporation
Redding, California

FINDINGS AND RECOMMENDATIONS SECTION

Los Angeles County Developmental Services Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

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 |

Los Angeles County Developmental Services Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

SECTION II FINDINGS

FINANCIAL STATEMENTS AUDIT

None.

SECTION III FINDINGS

FEDERAL AWARDS AUDIT

None.

Los Angeles County Developmental Services Foundation

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2016

None.