

Los Angeles County Developmental Services Foundation

Los Angeles, California

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

June 30, 2015 and 2014



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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, 2015 and 2014; and the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Foundation's 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 Los Angeles County Developmental Services Foundation as of June 30, 2015 and 2014, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 January 5, 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.

KCae Jsom, LLP

January 5, 2016
Redding, California

FINANCIAL SECTION

Los Angeles County Developmental Services Foundation

STATEMENTS OF FINANCIAL POSITION

June 30	2015	2014
ASSETS		
Cash and cash equivalents	\$ 1,963,418	\$ 4,640,842
Cash and cash equivalents - client trust funds	1,930,635	1,927,573
Investments	1,490,626	1,489,485
Receivable - State Regional Center contracts	38,498,739	39,242,267
Receivable - ICF providers	950,878	612,631
Other receivables	65,171	75,831
Prepaid expenses	197,287	265,342
Due from state - accrued vacation leave benefits	629,932	559,913
Deposits	119,785	119,785
TOTAL ASSETS	\$ 45,846,471	\$ 48,933,669
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 14,164,284	\$ 13,336,102
Advance - State Regional Center contracts	25,989,278	31,025,666
Accrued salaries and payroll taxes	533,607	497,566
Accrued pension contribution	55,455	53,341
Accrued vacation leave benefits	629,932	559,913
Due to ICF supplemental services	1,521,800	539,586
Client trust funds liability	1,313,487	1,282,134
Total Liabilities	44,207,843	47,294,308
Net Assets		
Unrestricted:		
Undesignated	148,002	149,876
Board-designated endowment fund	1,144,986	1,145,480
Total Unrestricted	1,292,988	1,295,356
Permanently restricted	345,640	344,005
Total Net Assets	1,638,628	1,639,361
TOTAL LIABILITIES AND NET ASSETS	\$ 45,846,471	\$ 48,933,669

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

Los Angeles County Developmental Services Foundation

STATEMENTS OF ACTIVITIES

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 (loss) 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 ACTIVITIES

(Continued)

Year Ended June 30, 2014	Unrestricted	Permanently Restricted	Total
REVENUE			
State Regional Center contracts	\$ 132,353,694	\$ -	\$ 132,353,694
Intermediate Care Facility supplemental services income	2,411,114	-	2,411,114
Intermediate Care Facility administrative fee	36,169	-	36,169
Interest and dividend income	29,349	1,064	30,413
Other income	2,643	-	2,643
Donations and grants	623,871	250	624,121
Unrealized gain on investments	169,110	-	169,110
TOTAL REVENUE	135,625,950	1,314	135,627,264
EXPENSES			
Program Services			
Intake	799,927	-	799,927
Service coordination	11,482,522	-	11,482,522
Program development	513,574	-	513,574
Monitoring and evaluation	589,795	-	589,795
Clinical services	694,903	-	694,903
Family support	544,063	-	544,063
Training and development	154,209	-	154,209
Legal services	72,852	-	72,852
Consumer benefits coordination	228,827	-	228,827
Living out of own home	32,163,435	-	32,163,435
Day program	25,448,955	-	25,448,955
Other purchased services	59,984,265	-	59,984,265
Total Program Services	132,677,327	-	132,677,327
Supporting Services			
Management and general	2,291,901	-	2,291,901
TOTAL EXPENSES	134,969,228	-	134,969,228
Changes in Net Assets	656,722	1,314	658,036
Net Assets - Beginning of Year	638,634	342,691	981,325
Net Assets - End of Year	\$ 1,295,356	\$ 344,005	\$ 1,639,361

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, 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	Balance Brought Forward	Program Services					Supporting Services	
		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 FUNCTIONAL EXPENSES
(Continued)

	Program Services									
Year Ended June 30, 2014	Intake	Service Coordination	Program Development	Monitoring and Evaluation	Clinical Services	Family Support	Training and Development	Legal Services	Balance Forward	
Salaries	\$ 497,833	\$ 7,145,809	\$ 319,584	\$ 367,047	\$ 432,440	\$ 338,569	\$ 95,981	\$ 45,353	\$ 9,242,616	
Employee health and retirement benefits	113,043	1,622,594	72,568	83,345	98,194	76,879	21,794	10,298	2,098,715	
Payroll taxes	8,827	126,701	5,666	6,508	7,667	6,003	1,702	804	163,878	
Total Salaries and Related Expenses	619,703	8,895,104	397,818	456,900	538,301	421,451	119,477	56,455	11,505,209	
Purchase of services	-	-	-	-	-	-	-	-	-	
Facility and equipment maintenance	-	-	-	-	-	-	-	-	-	
Communications	14,068	201,923	9,031	10,372	12,220	9,567	2,712	1,282	261,175	
General office expenses	6,213	89,180	3,988	4,581	5,397	4,225	1,198	566	115,348	
Insurance - property and earthquake	-	-	-	-	-	-	-	-	-	
Insurance	4,789	68,740	3,074	3,531	4,160	3,257	923	436	88,910	
Data processing	15,021	215,796	9,665	11,082	13,066	10,231	2,891	1,360	279,112	
Legal fees	8,750	125,599	5,617	6,451	7,601	5,951	1,687	797	162,453	
Board of Directors' expenses	-	-	-	-	-	-	-	-	-	
Equipment purchases	11,700	167,936	7,511	8,626	10,163	7,957	2,256	1,066	217,215	
Contract/consulting services	27,281	391,924	17,553	20,126	23,730	18,582	5,250	2,471	506,917	
Travel	4,221	60,587	2,710	3,112	3,667	2,871	814	385	78,367	
General expenses	2,784	39,957	1,787	2,052	2,418	1,893	537	254	51,682	
Accounting fees	-	-	-	-	-	-	-	-	-	
Printing	3,501	50,250	2,247	2,581	3,041	2,381	675	319	64,995	
ARCA dues	-	-	-	-	-	-	-	-	-	
Facility rent	81,896	1,175,526	52,573	60,381	71,139	55,697	15,789	7,461	1,520,462	
Total	\$ 799,927	\$ 11,482,522	\$ 513,574	\$ 589,795	\$ 694,903	\$ 544,063	\$ 154,209	\$ 72,852	\$ 14,851,845	

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, 2014	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	\$ 9,242,616	\$ 142,389	\$ -	\$ -	\$ -	\$ 9,385,005	\$ 1,162,314	\$ 10,547,319
Employee health and retirement benefits	2,098,715	32,332	-	-	-	2,131,047	263,925	2,394,972
Payroll taxes	163,878	2,525	-	-	-	166,403	20,609	187,012
Total Salaries and Related Expenses	11,505,209	177,246	-	-	-	11,682,455	1,446,848	13,129,303
Purchase of services	-	-	32,163,435	25,448,955	59,984,265	117,596,655	-	117,596,655
Facility and equipment maintenance	-	-	-	-	-	-	65,845	65,845
Communications	261,175	4,024	-	-	-	265,199	32,843	298,042
General office expenses	115,348	1,777	-	-	-	117,125	14,506	131,631
Insurance - property and earthquake	-	-	-	-	-	-	38,808	38,808
Insurance	88,910	1,370	-	-	-	90,280	11,181	101,461
Data processing	279,112	4,308	-	-	-	283,420	283,419	566,839
Legal fees	162,453	2,503	-	-	-	164,956	20,430	185,386
Board of Directors' expenses	-	-	-	-	-	-	14,360	14,360
Equipment purchases	217,215	3,346	-	-	-	220,561	27,315	247,876
Contract/consulting services	506,917	7,825	-	-	-	514,742	16,105	530,847
Travel	78,367	1,207	-	-	-	79,574	9,854	89,428
General expenses	51,682	796	-	-	-	52,478	6,499	58,977
Accounting fees	-	-	-	-	-	-	53,000	53,000
Printing	64,995	1,001	-	-	-	65,996	8,174	74,170
ARCA dues	-	-	-	-	-	-	51,506	51,506
Facility rent	1,520,462	23,424	-	-	-	1,543,886	191,208	1,735,094
Total	\$ 14,851,845	\$ 228,827	\$ 32,163,435	\$ 25,448,955	\$ 59,984,265	\$ 132,677,327	\$ 2,291,901	\$ 134,969,228

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	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (733)	\$ 658,036
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized (gain) loss on investments	24,393	(169,110)
Dividends reinvested	(22,916)	(21,269)
(Increase) decrease in:		
Receivable - State Regional Center contracts	743,528	(8,850,151)
Receivable - ICF providers	(338,247)	(181,200)
Other receivables	10,660	(3,551)
Prepaid expenses	68,055	(47,793)
Due from state - accrued vacation leave benefits	(70,019)	18,528
Increase (decrease) in:		
Accounts payable	828,182	807,383
Advance - State Regional Center contracts	(5,036,388)	6,641,204
Accrued salaries and payroll taxes	36,041	114,980
Accrued pension contribution	2,114	12,895
Accrued vacation leave benefits	70,019	(18,528)
Due to ICF supplemental services	982,214	539,586
Client trust fund liability	31,353	(217,959)
Net Cash Provided (Used) By Operating Activities	(2,671,744)	(716,949)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,618)	(491,192)
Proceeds from sale of investments	-	15,571
Net Cash Provided (Used) By Investing Activities	(2,618)	(475,621)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from debt	2,651,203	-
Repayment of debt	(2,651,203)	-
Net Cash Provided (Used) By Financing Activities	-	-
Net Increase (Decrease) in Cash	(2,674,362)	(1,192,570)
Cash - Beginning of Year	6,568,415	7,760,985
Cash - End of Year	\$ 3,894,053	\$ 6,568,415
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 1,963,418	\$ 4,640,842
Cash and cash equivalents - client trust funds	1,930,635	1,927,573
Total Cash and Cash Equivalents	\$ 3,894,053	\$ 6,568,415

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.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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:

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 debt instruments with original maturities of three months or less to be cash equivalents. In accordance with the State Regional Center contracts, bank accounts are in the name of both the State of California Department of Developmental Services (DDS) and the Foundation.

Significant Concentrations of Credit Risk 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, 2015, cash exceeded federally insured limits by \$4,061,147. The Foundation has not experienced any loss and 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 and consist of endowment funds managed by the California Community Foundation in pooled accounts consisting of equity and fixed income securities. 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.

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.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 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

Receivable – ICF providers and Due to ICF supplemental services balances consisted of the following at June 30, 2014:

Years Ended	Receivable - ICF Providers	Due to ICF Supplemental Services
June 30, 2012	\$ 84,730	\$ 539,586
June 30, 2013	32,562	-
June 30, 2014	495,339	-
Total	\$ 612,631	\$ 539,586

Management considers all receivables to be fully collectible.

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.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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. 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 files exempt organization returns in the U.S. federal and California jurisdictions. The federal returns for tax years 2011 and beyond, and the California returns for tax years 2010 and beyond, remain subject to examination by the taxing authorities.

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, 2015 and 2014, 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 \$103,409 are included in the Family Support program category for the years ended June 30, 2015 and 2014, respectively.

Subsequent Events Management has evaluated subsequent events through January 5, 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	2015	2014
Support		
Social security and other client support	\$ 10,402,666	\$ 10,153,802
Disbursements		
Living out of own home	\$ 7,068,332	\$ 7,101,574
Other disbursements	3,316,060	3,270,187
Total Disbursements	\$ 10,384,392	\$ 10,371,761

3. LINE OF CREDIT

The Foundation had a revolving note with City National Bank whereby it could borrow up to \$16,000,000 until June 30, 2015, and then up to \$33,000,000 until the earlier date of October 1, 2015, or the effective date of the State of California's budget for the fiscal year commencing July 1, 2015. Following this period, the Foundation can borrow up to \$19,000,000 until the maturity date of June 30, 2016. Upon receipt of initial State allocation for fiscal year 2014-15 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 \$623 in interest to City National Bank during the 2014-15 fiscal year. No amount was outstanding on the revolving note as of June 30, 2015.

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, 2015	\$ 145,039,465	\$ 144,367,082	\$ 672,383
June 30, 2014	\$ 132,447,008	\$ 132,339,267	\$ 107,741
June 30, 2013	\$ 121,387,389	\$ 120,743,719	\$ 643,670

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	2015	2014
Nonmedical services	\$ 22,808,297	\$ 19,831,949
Respite	7,879,703	7,088,900
Other authorized services	19,208,000	17,974,436
Medical care	2,618,536	2,350,867
Transportation	3,626,965	3,690,612
Prevention services	8,114,445	7,863,583
Camps	202,777	124,887
Medical equipment	173,751	109,356
Home care services	1,378,698	793,126
Subtotal Other Purchased Services - Regional Center Contracts	66,011,172	59,827,716
Purchased services from donation and special project funds	130,227	156,549
Total Other Purchased Services	\$ 66,141,399	\$ 59,984,265

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, 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

June 30, 2014	Unrestricted	Permanently Restricted	Total
Beginning of Year	\$ 480,794	\$ 342,691	\$ 823,485
Investment return:			
Investment income	20,210	1,064	21,274
Net appreciation	169,110	-	169,110
Total Investment Return	189,320	1,064	190,384
Contributions	-	250	250
Amounts appropriated for expenditure	(15,576)	-	(15,576)
Board designated transfers	490,942	-	490,942
End of Year	\$ 1,145,480	\$ 344,005	\$ 1,489,485

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. COMMITMENTS

The Foundation is obligated under a lease agreement expiring June 2018 for its Los Angeles facility. Included in the lease agreement is an allowance for tenant improvements to be repaid over a seven-year period which began July 1, 2008. 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.

The future minimum lease commitments, including the tenant allowance as of June 30, 2015, are payable as follows:

Years Ending June 30

2016	\$	1,378,945
2017		1,420,313
2018		1,462,922
Total	\$	4,262,180

Total rental expense, including monthly parking and storage costs, for the years ended June 30, 2015 and 2014, was \$1,821,484 and \$1,735,094, 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, 2015 and 2014, were approximately \$1.1 million and \$2.9 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, 2015 and 2014, was \$1,149,163 and \$1,115,876, 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, 2015.

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.

Los Angeles County Developmental Services Foundation

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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 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, 2015

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)	14/15	H181A140037	84.181A	\$ 4,067,637
TOTAL U.S. DEPARTMENT OF EDUCATION				4,067,637
Total Expenditures of Federal Awards				\$ 4,067,637

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.

Los Angeles County Developmental Services Foundation

SCHEDULE OF FINANCIAL POSITION BY FUND

June 30, 2015	Regional Center	Client Trust Funds	Endowment Fund	Donation Funds	Special Project Funds	Total
ASSETS						
Cash and cash equivalents	\$ 1,824,438	\$ -	\$ -	\$ 83,359	\$ 55,621	\$ 1,963,418
Cash and cash equivalents - client trust funds	(542)	1,931,177	-	-	-	1,930,635
Investments	-	-	1,490,626	-	-	1,490,626
Receivable - State Regional Center contracts	38,498,739	-	-	-	-	38,498,739
Receivable - ICF providers	950,878	-	-	-	-	950,878
Interfund receivable (payable)	28,662	(28,662)	-	-	-	-
Other receivables	5,410	47,339	-	-	12,422	65,171
Prepaid expenses	197,287	-	-	-	-	197,287
Due from state - accrued vacation leave benefits	629,932	-	-	-	-	629,932
Deposits	119,785	-	-	-	-	119,785
TOTAL ASSETS	\$ 42,254,589	\$ 1,949,854	\$ 1,490,626	\$ 83,359	\$ 68,043	\$ 45,846,471
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 13,524,517	\$ 636,367	\$ -	\$ -	\$ 3,400	\$ 14,164,284
Advance - State Regional Center contracts	25,989,278	-	-	-	-	25,989,278
Accrued salaries and payroll taxes	533,607	-	-	-	-	533,607
Accrued pension contribution	55,455	-	-	-	-	55,455
Accrued vacation leave benefits	629,932	-	-	-	-	629,932
Due to ICF supplemental services	1,521,800	-	-	-	-	1,521,800
Client trust funds liability	-	1,313,487	-	-	-	1,313,487
Total Liabilities	42,254,589	1,949,854	-	-	3,400	44,207,843
Net Assets						
Unrestricted:						
Undesignated	-	-	-	83,359	64,643	148,002
Board-designated endowment fund	-	-	1,144,986	-	-	1,144,986
Total Unrestricted	-	-	1,144,986	83,359	64,643	1,292,988
Permanently restricted	-	-	345,640	-	-	345,640
Total Net Assets	-	-	1,490,626	83,359	64,643	1,638,628
TOTAL LIABILITIES AND NET ASSETS	\$ 42,254,589	\$ 1,949,854	\$ 1,490,626	\$ 83,359	\$ 68,043	\$ 45,846,471

Los Angeles County Developmental Services Foundation

SCHEDULE OF ACTIVITIES BY FUND

Year Ended June 30, 2015	Regional Center	Endowment Fund	Donation Funds	Special Project Funds	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	6,620	22,916	40	22	29,598
Other income	319	-	-	-	319
Donations and grants	-	2,618	43,707	84,584	130,909
Unrealized gain (loss) on investments	-	(24,393)	-	-	(24,393)
TOTAL REVENUE	147,159,543	1,141	43,747	84,606	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	66,011,172	-	49,501	80,726	66,141,399
Total Program Services	144,521,934	-	49,501	80,726	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	147,159,543	-	49,501	80,726	147,289,770
Changes in Net Assets	-	1,141	(5,754)	3,880	(733)
Net Assets - Beginning of Year	-	1,489,485	89,113	60,763	1,639,361
Net Assets - End of Year	\$ -	\$ 1,490,626	\$ 83,359	\$ 64,643	\$ 1,638,628

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 (the Foundation), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2015; and the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements, and have issued our report thereon dated January 5, 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 result 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 report is not suitable for any other purpose.

KCae Team, LLP

January 5, 2016
Redding, California

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE AS
REQUIRED BY OMB CIRCULAR A-133**

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 (the Foundation), a California nonprofit corporation, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *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, 2015. 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 each of the Foundation's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 AS
REQUIRED BY OMB CIRCULAR A-133**

(Continued)

Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

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 each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 AS
REQUIRED BY OMB CIRCULAR A-133**

(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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KCoe Isom, LLP

January 5, 2016
Redding, California

FINDINGS AND RECOMMENDATIONS SECTION

Los Angeles County Developmental Services Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2015

SECTION I

SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No
Identification of major programs:	
CFDA No. 84.181A Special Education – Grants for Infants and Families With Disabilities (Plan C)	
Threshold for distinguishing types A and B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Los Angeles County Developmental Services Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2015

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, 2015

None.