

LOS ANGELES COUNTY DEVELOPMENTAL  
SERVICES FOUNDATION

**Los Angeles, California**

FINANCIAL STATEMENTS AND SUPPLEMENTARY  
INFORMATION WITH INDEPENDENT  
AUDITORS' REPORTS

**June 30, 2014 and 2013**



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I S O M

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June 30, 2014

*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 statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2014, and the changes in its net assets and its cash flows for the year 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.

The financial statements of the Foundation for the year ended June 30, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on January 22, 2014.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015 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.

KCoe Jam, LLP

January 14, 2015  
Redding, California

## **FINANCIAL SECTION**

**STATEMENTS OF FINANCIAL POSITION**

*Los Angeles County  
Developmental Services Foundation*

June 30	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,640,842	\$ 5,608,925
Cash and cash equivalents - client trust funds	1,927,573	2,152,060
Investments	1,489,485	823,485
Receivable - State Regional Center contracts	39,242,267	30,392,116
Receivable - ICF providers	612,631	431,431
Other receivables	75,831	72,280
Prepaid expenses	265,342	217,549
Due from state - accrued vacation leave benefits	559,913	578,441
Deposits	119,785	119,785
<b>Total Assets</b>	<b>\$ 48,933,669</b>	<b>\$ 40,396,072</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 13,336,102	\$ 12,528,719
Advance - State Regional Center contracts	31,025,666	24,384,462
Accrued salaries and payroll taxes	497,566	382,586
Accrued pension contribution	53,341	40,446
Accrued vacation leave benefits	559,913	578,441
Due to ICF supplemental services	539,586	-
Client trust funds liability	1,282,134	1,500,093
<b>Total Liabilities</b>	<b>47,294,308</b>	<b>39,414,747</b>
<b>NET ASSETS</b>		
Unrestricted Undesignated	149,876	157,840
Board-designated endowment fund	1,145,480	480,794
<b>Total Unrestricted</b>	<b>1,295,356</b>	<b>638,634</b>
Permanently restricted	344,005	342,691
<b>Total Net Assets</b>	<b>1,639,361</b>	<b>981,325</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 48,933,669</b>	<b>\$ 40,396,072</b>

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

**STATEMENTS OF ACTIVITIES**

*Los Angeles County  
Developmental Services Foundation*

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Year Ended June 30, 2014	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUE</b>			
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
<b>Total Revenue</b>	<b>135,625,950</b>	<b>1,314</b>	<b>135,627,264</b>
<b>EXPENSES</b>			
<b>PROGRAM SERVICES</b>			
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
<b>Total Program Services</b>	<b>132,677,327</b>	<b>-</b>	<b>132,677,327</b>
<b>SUPPORTING SERVICES</b>			
Management and general	2,291,901	-	2,291,901
<b>Total Supporting Services</b>	<b>2,291,901</b>	<b>-</b>	<b>2,291,901</b>
<b>Total Expenses</b>	<b>134,969,228</b>	<b>-</b>	<b>134,969,228</b>
<b>Changes in Net Assets</b>	<b>656,722</b>	<b>1,314</b>	<b>658,036</b>
<b>Net Assets - Beginning of Year</b>	<b>638,634</b>	<b>342,691</b>	<b>981,325</b>
<b>Net Assets - End of Year</b>	<b>\$ 1,295,356</b>	<b>\$ 344,005</b>	<b>\$ 1,639,361</b>

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

**STATEMENTS OF ACTIVITIES**

*Los Angeles County  
Developmental Services Foundation*

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Year Ended June 30, 2013	Unrestricted	Permanently Restricted	Total
<b>REVENUE</b>			
State Regional Center contracts	\$ 122,648,819	\$ -	\$ 122,648,819
Intermediate Care Facility supplemental services income	1,818,024	-	1,818,024
Interest and dividend income	21,363	499	21,862
Other income	61,109	-	61,109
Donations and grants	354,119	250	354,369
Unrealized gain on investments	65,797	-	65,797
<b>Total Revenue</b>	<b>124,969,231</b>	<b>749</b>	<b>124,969,980</b>
<b>EXPENSES</b>			
<b>PROGRAM SERVICES</b>			
Intake	719,019	-	719,019
Service coordination	9,776,787	-	9,776,787
Program development	410,869	-	410,869
Monitoring and evaluation	566,498	-	566,498
Clinical services	988,297	-	988,297
Family support	405,303	-	405,303
Training and development	249,010	-	249,010
Legal services	105,828	-	105,828
Consumer benefits coordination	239,673	-	239,673
Living out of own home	30,163,700	-	30,163,700
Day program	25,170,571	-	25,170,571
Other purchased services	53,395,690	-	53,395,690
<b>Total Program Services</b>	<b>122,191,245</b>	<b>-</b>	<b>122,191,245</b>
<b>SUPPORTING SERVICES</b>			
Management and general	2,516,514	-	2,516,514
Fund-raising	1,607	-	1,607
<b>Total Supporting Services</b>	<b>2,518,121</b>	<b>-</b>	<b>2,518,121</b>
<b>Total Expenses</b>	<b>124,709,366</b>	<b>-</b>	<b>124,709,366</b>
<b>Changes in Net Assets</b>	<b>259,865</b>	<b>749</b>	<b>260,614</b>
<b>Net Assets - Beginning of Year</b>	<b>378,769</b>	<b>341,942</b>	<b>720,711</b>
<b>Net Assets - End of Year</b>	<b>\$ 638,634</b>	<b>\$ 342,691</b>	<b>\$ 981,325</b>

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



# STATEMENTS OF FUNCTIONAL EXPENSES

*Los Angeles County*  
*Developmental Services Foundation*  
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Year Ended June 30, 2014	Program Services								
	<u>Intake</u>	<u>Service Coordination</u>	<u>Program Development</u>	<u>Monitoring and Evaluation</u>	<u>Clinical Services</u>	<u>Family Support</u>	<u>Training and Development</u>	<u>Legal Services</u>	<u>Balance Forward</u>
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
<b>Total Salaries and Related Expenses</b>	<b>619,703</b>	<b>8,895,104</b>	<b>397,818</b>	<b>456,900</b>	<b>538,301</b>	<b>421,451</b>	<b>119,477</b>	<b>56,455</b>	<b>11,505,209</b>
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
<b>Total</b>	<b>\$ 799,927</b>	<b>\$ 11,482,522</b>	<b>\$ 513,574</b>	<b>\$ 589,795</b>	<b>\$ 694,903</b>	<b>\$ 544,063</b>	<b>\$ 154,209</b>	<b>\$ 72,852</b>	<b>\$ 14,851,845</b>

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

# STATEMENTS OF FUNCTIONAL EXPENSES

*Los Angeles County  
Developmental Services Foundation*

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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	Fund-raising	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
<b>Total Salaries and Related Expenses</b>	<b>11,505,209</b>	<b>177,246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,682,455</b>	<b>1,446,848</b>	<b>-</b>	<b>13,129,303</b>
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
<b>Total</b>	<b>\$ 14,851,845</b>	<b>\$ 228,827</b>	<b>\$ 32,163,435</b>	<b>\$ 25,448,955</b>	<b>\$ 59,984,265</b>	<b>\$ 132,677,327</b>	<b>\$ 2,291,901</b>	<b>\$ -</b>	<b>\$ 134,969,228</b>

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

# STATEMENTS OF FUNCTIONAL EXPENSES

*Los Angeles County  
Developmental Services Foundation*

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Year Ended June 30, 2013	Program Services								
	Intake	Service Coordination	Program Development	Monitoring and Evaluation	Clinical Services	Family Support	Training and Development	Legal Services	Balance Forward
Salaries	\$ 446,469	\$ 6,070,823	\$ 255,125	\$ 351,764	\$ 421,343	\$ 292,036	\$ 154,621	\$ 65,714	\$ 8,057,895
Employee health and retirement benefits	98,877	1,344,470	56,501	77,903	93,313	41,092	34,243	14,553	1,760,952
Payroll taxes	8,356	113,615	4,775	6,583	7,885	3,472	2,894	1,230	148,810
<b>Total Salaries and Related Expenses</b>	<b>553,702</b>	<b>7,528,908</b>	<b>316,401</b>	<b>436,250</b>	<b>522,541</b>	<b>336,600</b>	<b>191,758</b>	<b>81,497</b>	<b>9,967,657</b>
Purchase of services	-	-	-	-	-	-	-	-	-
Facility and equipment maintenance	5,872	79,842	3,355	4,626	5,541	2,440	2,034	864	104,574
Communications	9,296	126,399	5,312	7,324	8,773	3,863	3,219	1,368	165,554
General office expenses	8,062	109,619	4,607	6,352	7,608	3,350	2,792	1,187	143,577
Insurance	5,931	80,645	3,389	4,673	5,597	2,465	2,054	873	105,627
Data processing	12,393	168,517	7,082	9,764	11,696	5,150	4,292	1,824	220,718
Legal fees	9,919	134,871	5,668	7,815	9,361	4,122	3,435	1,460	176,651
Board of Directors' expenses	452	6,151	259	356	427	188	157	67	8,057
Equipment purchases	9,323	126,769	5,327	7,345	8,798	3,875	3,229	1,372	166,038
Contract/consulting services	11,131	151,359	6,361	8,770	320,246	4,626	3,855	1,638	507,986
Travel	3,717	50,540	2,124	2,928	3,508	1,545	1,287	547	66,196
General expenses	3,521	47,877	2,012	2,774	3,323	1,463	1,219	518	62,707
Accounting fees	2,449	33,295	1,399	1,929	2,311	1,018	848	360	43,609
Printing	2,114	28,738	1,208	1,665	1,995	878	732	311	37,641
ARCA dues	2,379	32,354	1,360	1,875	2,246	989	824	350	42,377
Facility rent	78,758	1,070,903	45,005	62,052	74,326	32,731	27,275	11,592	1,402,642
<b>Total</b>	<b>\$ 719,019</b>	<b>\$ 9,776,787</b>	<b>\$ 410,869</b>	<b>\$ 566,498</b>	<b>\$ 988,297</b>	<b>\$ 405,303</b>	<b>\$ 249,010</b>	<b>\$ 105,828</b>	<b>\$ 13,221,611</b>

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

# STATEMENTS OF FUNCTIONAL EXPENSES

*Los Angeles County*  
*Developmental Services Foundation*  
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Year Ended June 30, 2013	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	Fund-raising	Total Expenses
Salaries	\$ 8,057,895	\$ 148,823	\$ -	\$ -	\$ -	\$ 8,206,718	\$ 1,563,609	\$ -	\$ 9,770,327
Employee health and retirement benefits	1,760,952	32,959	-	-	-	1,793,911	346,284	-	2,140,195
Payroll taxes	148,810	2,785	-	-	-	151,595	29,263	-	180,858
<b>Total Salaries and Related Expenses</b>	<b>9,967,657</b>	<b>184,567</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,152,224</b>	<b>1,939,156</b>	<b>-</b>	<b>12,091,380</b>
Purchase of services	-	-	30,163,700	25,170,571	53,395,690	108,729,961	-	-	108,729,961
Facility and equipment maintenance	104,574	1,957	-	-	-	106,531	20,564	-	127,095
Communications	165,554	3,099	-	-	-	168,653	32,555	-	201,208
General office expenses	143,577	2,687	-	-	-	146,264	26,627	1,607	174,498
Insurance	105,627	1,977	-	-	-	107,604	20,771	-	128,375
Data processing	220,718	4,131	-	-	-	224,849	43,403	-	268,252
Legal fees	176,651	3,306	-	-	-	179,957	34,738	-	214,695
Board of Directors' expenses	8,057	151	-	-	-	8,208	1,584	-	9,792
Equipment purchases	166,038	3,108	-	-	-	169,146	32,651	-	201,797
Contract/consulting services	507,986	3,710	-	-	-	511,696	38,984	-	550,680
Travel	66,196	1,239	-	-	-	67,435	13,017	-	80,452
General expenses	62,707	1,174	-	-	-	63,881	12,331	-	76,212
Accounting fees	43,609	816	-	-	-	44,425	8,575	-	53,000
Printing	37,641	705	-	-	-	38,346	7,402	-	45,748
ARCA dues	42,377	793	-	-	-	43,170	8,333	-	51,503
Facility rent	1,402,642	26,253	-	-	-	1,428,895	275,823	-	1,704,718
<b>Total</b>	<b>\$ 13,221,611</b>	<b>\$ 239,673</b>	<b>\$ 30,163,700</b>	<b>\$ 25,170,571</b>	<b>\$ 53,395,690</b>	<b>\$ 122,191,245</b>	<b>\$ 2,516,514</b>	<b>\$ 1,607</b>	<b>\$ 124,709,366</b>

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

**STATEMENTS OF CASH FLOWS***Los Angeles County  
Developmental Services Foundation*

Years Ended June 30	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 658,036	\$ 260,614
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized (gain) loss on investments	(169,110)	(65,797)
Dividends reinvested	(21,269)	(9,959)
(Increase) decrease in:		
Receivable - State Regional Center contracts	(8,850,151)	3,250,934
Receivable - ICF providers	(181,200)	(431,431)
Other receivables	(3,551)	103,192
Prepaid expenses	(47,793)	69,049
Due from state - accrued vacation leave benefits	18,528	(41,776)
Increase (decrease) in:		
Accounts payable	807,383	959,932
Advance - State Regional Center contracts	6,641,204	239,299
Accrued salaries and payroll taxes	114,980	8,699
Accrued pension contribution	12,895	1,727
Accrued vacation leave benefits	(18,528)	41,776
Due to ICF supplemental services	539,586	-
Client trust fund liability	(217,959)	(385,046)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(716,949)</b>	<b>4,001,213</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(491,192)	(187,750)
Proceeds from sale of investments	15,571	-
<b>Net Cash (Used) by Financing Activities</b>	<b>(475,621)</b>	<b>(187,750)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(1,192,570)</b>	<b>3,813,463</b>
<b>Cash - Beginning of Year</b>	<b>7,760,985</b>	<b>3,947,522</b>
<b>Cash - End of Year</b>	<b>\$ 6,568,415</b>	<b>\$ 7,760,985</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 4,640,842	\$ 5,608,925
Cash and cash equivalents - client trust funds	1,927,573	2,152,060
<b>Total Cash and Cash Equivalents</b>	<b>\$ 6,568,415</b>	<b>\$ 7,760,985</b>

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

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**Financial Statement Presentation** The Foundation's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under FASB ASC Topic 958, the Foundation is required to report information regarding its financial position and activities according to 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, 2014, cash exceeded federally insured limits by \$9,223,580. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Los Angeles County  
Developmental Services Foundation*

**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) has 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 regional center 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 regional center 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, 2014:

Year 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	-
<b>Total</b>	<b>\$ 612,631</b>	<b>\$ 539,586</b>

Receivable – ICF providers and Due to ICF supplemental services balances consisted of the following at June 30, 2013:

Year Ended	Receivable - ICF Providers	Due to ICF Supplemental Services
June 30, 2013	\$ 431,431	\$ -
<b>Total</b>	<b>\$ 431,431</b>	<b>\$ -</b>

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.



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

*Los Angeles County  
Developmental Services Foundation*

***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-nine 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 2010 and beyond, and the California returns for tax years 2009 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, 2014 and 2013, and the Foundation does not expect this to change significantly over the next 12 months.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Los Angeles County  
Developmental Services Foundation*

**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 \$103,409 and \$106,490 are included in the Family Support program category for the years ended June 30, 2014 and 2013, respectively.

**Subsequent Events** Management has evaluated subsequent events through January 14, 2015, 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 regional center 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	2014	2013
<b>SUPPORT</b>		
Social security and other client support	\$ 10,153,802	\$ 10,152,993
<b>DISBURSEMENTS</b>		
Living out of own home	\$ 7,101,574	\$ 7,040,274
Other disbursements	3,270,187	3,112,719
<b>Total Disbursements</b>	<b>\$ 10,371,761</b>	<b>\$ 10,152,993</b>

**3. LINE OF CREDIT**

The Foundation had a revolving note with a bank whereby it could borrow up to \$15,000,000 until June 30, 2013, and then up to \$33,000,000 until the earlier date of October 1, 2013, or the effective date of the State of California's budget with respect to the State General Fund for the fiscal year commencing July 1, 2013, then \$15,000,000 until the maturity date of June 30, 2014. Upon receipt of initial State allocation for fiscal year 2013-14 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. No amount was outstanding on the revolving note as of June 30, 2014.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Los Angeles County  
Developmental Services Foundation***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:

<u>Fiscal Year Ended</u>	<u>Contract Amount</u>	<u>Cumulative Expenses</u>	<u>Unexpended Balance</u>
June 30, 2014	\$ 132,447,008	\$ 131,533,309	\$ 913,699
June 30, 2013	\$ 122,209,971	\$ 120,755,457	\$ 1,454,514
June 30, 2012	\$ 119,993,454	\$ 119,604,800	\$ 388,654

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:

	<u>2014</u>	<u>2013</u>
Nonmedical services	\$ 19,831,949	\$ 17,946,680
Respite	7,088,900	6,611,623
Other authorized services	17,974,436	14,600,813
Medical care	2,350,867	2,195,120
Transportation	3,690,612	3,664,097
Prevention services	7,863,583	7,390,687
Camps	124,887	139,229
Medical equipment	109,356	108,977
Home care services	793,126	568,718
Other purchased services - regional center	59,827,716	53,225,944
Purchased services from donation and special project funds	156,549	169,746
<b>Total Other Purchased Services</b>	<b>\$ 59,984,265</b>	<b>\$ 53,395,690</b>

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Los Angeles County  
Developmental Services Foundation*

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.

Changes in endowment net assets for the years ended June 30, 2014 and 2013, were as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Los Angeles County  
Developmental Services Foundation*

June 30, 2013	Unrestricted	Permanently Restricted	Total
<b>Beginning of Year</b>	\$ 218,037	\$ 341,942	\$ 559,979
Investment return:			
Investment income	9,460	499	9,959
Net appreciation	65,797	-	65,797
<b>Total Investment Return</b>	75,257	499	75,756
Contributions	-	250	250
Board designated transfers	187,500	-	187,500
<b>End of Year</b>	\$ 480,794	\$ 342,691	\$ 823,485

**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, 2014, are payable as follows:

Year Ending June 30	
2015	\$ 1,524,766
2016	1,378,945
2017	1,420,313
2018	1,462,922
<b>Total</b>	<b>\$ 5,786,946</b>

Total rental expense, including monthly parking and storage costs, for the years ended June 30, 2014 and 2013, was \$1,735,094 and \$1,704,718, 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, 2014 and 2013 were approximately \$2.9 million and \$3 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, 2014 and 2013, was \$1,115,876 and \$1,017,044, 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, 2014.

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.

**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.

**11. RECLASSIFICATIONS**

Certain reclassifications have been made to prior year amounts to conform with current year presentation. In addition, during the current year management determined balances included in temporarily restricted net assets in prior years were unrestricted board designated funds; therefore, these amounts have been reclassified from temporarily restricted net assets to unrestricted net assets.

## **SUPPLEMENTARY INFORMATION SECTION**

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

Year Ended June 30, 2014

*Los Angeles County  
Developmental Services Foundation*

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Contract Year</b>	<b>Pass-Through Grant Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements/ Expenditures</b>
<b>FEDERAL</b>				
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)	13/14	H181A130135	84.181	\$ 1,350,309
<b>Total Department of Education</b>				<u>1,350,309</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 1,350,309</u>

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.



**SCHEDULE OF FINANCIAL  
POSITION BY FUND**

***Los Angeles County  
Developmental Services Foundation***

June 30, 2014	Regional Center	Client Trust Funds	Endowment Fund	Donation Funds	Special Project Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,501,907	\$ -	\$ -	\$ 89,113	\$ 49,822	\$ 4,640,842
Cash - client trust funds	-	1,927,573	-	-	-	1,927,573
Investments	-	-	1,489,485	-	-	1,489,485
Receivable - State Regional Center contracts	39,242,267	-	-	-	-	39,242,267
Receivable - ICF providers	612,631	-	-	-	-	612,631
Interfund receivable (payable)	18,852	(18,852)	-	-	-	-
Other receivables	38,037	22,853	-	-	14,941	75,831
Prepaid expenses	265,342	-	-	-	-	265,342
Due from state - accrued vacation leave benefits	559,913	-	-	-	-	559,913
Deposits	119,785	-	-	-	-	119,785
<b>Total Assets</b>	<b>\$ 45,358,734</b>	<b>\$ 1,931,574</b>	<b>\$ 1,489,485</b>	<b>\$ 89,113</b>	<b>\$ 64,763</b>	<b>\$ 48,933,669</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 12,682,662	\$ 649,440	\$ -	\$ -	\$ 4,000	\$ 13,336,102
Advance - State Regional Center contracts	31,025,666	-	-	-	-	31,025,666
Accrued salaries and payroll taxes	497,566	-	-	-	-	497,566
Accrued pension contribution	53,341	-	-	-	-	53,341
Accrued vacation leave benefits	559,913	-	-	-	-	559,913
Due to ICF supplemental services	539,586	-	-	-	-	539,586
Client trust funds liability	-	1,282,134	-	-	-	1,282,134
<b>Total Liabilities</b>	<b>45,358,734</b>	<b>1,931,574</b>	<b>-</b>	<b>-</b>	<b>4,000</b>	<b>47,294,308</b>
<b>NET ASSETS</b>						
Unrestricted:						
Undesignated	-	-	-	89,113	60,763	149,876
Board-designated endowment fund	-	-	1,145,480	-	-	1,145,480
<b>Total Unrestricted</b>	<b>-</b>	<b>-</b>	<b>1,145,480</b>	<b>89,113</b>	<b>60,763</b>	<b>1,295,356</b>
Permanently restricted	-	-	344,005	-	-	344,005
<b>Total Net Assests</b>	<b>-</b>	<b>-</b>	<b>1,489,485</b>	<b>89,113</b>	<b>60,763</b>	<b>1,639,361</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 45,358,734</b>	<b>\$ 1,931,574</b>	<b>\$ 1,489,485</b>	<b>\$ 89,113</b>	<b>\$ 64,763</b>	<b>\$ 48,933,669</b>

# SCHEDULE OF ACTIVITIES BY FUND

## *Los Angeles County Developmental Services Foundation*

Year Ended June 30, 2014	Regional Center	Endowment Fund	Donation Funds	Special Project Funds	Total
<b>REVENUE</b>					
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	9,054	21,274	56	29	30,413
Other income	2,643	-	-	-	2,643
Donations and grants	-	491,192	52,167	80,762	624,121
Unrealized gain on investments	-	169,110	-	-	169,110
<b>Subtotal</b>	<b>134,812,674</b>	<b>681,576</b>	<b>52,223</b>	<b>80,791</b>	<b>135,627,264</b>
Transfer from endowment fund	15,576	(15,576)	-	-	-
<b>Total Revenue</b>	<b>134,828,250</b>	<b>666,000</b>	<b>52,223</b>	<b>80,791</b>	<b>135,627,264</b>
<b>EXPENSES</b>					
<b>PROGRAM SERVICES</b>					
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	59,843,287	-	60,550	80,428	59,984,265
<b>Total Program Services</b>	<b>132,536,349</b>	<b>-</b>	<b>60,550</b>	<b>80,428</b>	<b>132,677,327</b>
<b>SUPPORTING SERVICES</b>					
Management and general	2,291,901	-	-	-	2,291,901
Fund-raising	-	-	-	-	-
<b>Total Supporting Services</b>	<b>2,291,901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,291,901</b>
<b>Total Expenses</b>	<b>134,828,250</b>	<b>-</b>	<b>60,550</b>	<b>80,428</b>	<b>134,969,228</b>
<b>Changes in Net Assets</b>	<b>-</b>	<b>666,000</b>	<b>(8,327)</b>	<b>363</b>	<b>658,036</b>
<b>Net Assets - Beginning of Year</b>	<b>-</b>	<b>823,485</b>	<b>97,440</b>	<b>60,400</b>	<b>981,325</b>
<b>Net Assets - End of Year</b>	<b>\$ -</b>	<b>\$ 1,489,485</b>	<b>\$ 89,113</b>	<b>\$ 60,763</b>	<b>\$ 1,639,361</b>

## **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, 2014, 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 14, 2015.

**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.

KCoe Isom, LLP

January 14, 2015  
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, 2014. 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 each of 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 the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

***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, 2014.

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

Continued

**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 as a basis for designing 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.

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 14, 2015  
Redding, California

## **FINDINGS AND RECOMMENDATIONS SECTION**



**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2014

*Los Angeles County  
Developmental Services Foundation*

**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
Any 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. 84.181 Special Education – Grants for Infants and Families with Disabilities (Part C)	
Threshold for distinguishing types A and B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

June 30, 2014

*Los Angeles County  
Developmental Services Foundation*

**SECTION II FINDINGS  
FINANCIAL STATEMENT AUDIT**

None.

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None.

**SUMMARY SCHEDULE OF PRIOR  
AUDIT FINDINGS**

June 30, 2014

*Los Angeles County  
Developmental Services Foundation*

**FINANCIAL STATEMENTS AUDIT – VENDOR RATES**  
(2013-0001)

**Significant Deficiency**

**Condition**

In the prior year, the predecessor auditors' noted during their testing of internal control over cash disbursements two instances where the rate used to pay Purchase of Service (POS) vendors was incorrect.

**Criteria**

Internal controls should be in place to check the accuracy of vendor rates.

**Effect**

Vendors' payments were overstated and understated. One vendor was overpaid by \$17,032 and another vendor was underpaid by \$168.

***Recommendation***

The predecessor auditor recommended that management consider implementing a review procedure to verify rates use to pay POS vendors.

***Current Status***

During our audit of the current year we noted the Community Services staff who input rates have received additional training in an attempt to standardize input and minimize errors. During our testing in the current year we did not identify any errors.