Los Angeles, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2020 and 2019

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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, a California nonprofit corporation (the Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### INDEPENDENT AUDITORS' REPORT

(Continued)

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

#### Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the financial statements. The accompanying Schedules of Financial Position by Fund and Activities by Fund are also presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information noted above is fairly stated in all material respects, in relation to the financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

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

DATE

AGT CPAs & Advisors Redding, California



# **Los Angeles County Developmental Services Foundation**STATEMENTS OF FINANCIAL POSITION

June 30	2020	2020				
ASSETS						
Cash and cash equivalents	9,385,664	\$	4,143,548			
Cash and cash equivalents - client trust fund	1,993,888		1,678,504			
Investments	1,231,954		1,838,941			
Receivable - State Regional Center contracts	69,535,509		62,291,982			
Receivable - Intermediate care facility providers	440,736		407,634			
Other receivables	11,418		522,288			
Prepaid expenses	<mark>3</mark> 16,239		312,524			
Due from state - accrued vacation and sick leave benefits	<mark>1,1</mark> 90,340		968,794			
Due from state - deferred rent	<mark>8</mark> 34,667		484,544			
Deposits	<b>1</b> 19,785		119,785			
TOTAL ASSETS	85,060,200	\$	72,768,544			
LIABILITIES AND NET ASSETS Liabilities						
Accounts payable	24,796,601	\$	19,114,969			
Advance - State Regional Center contracts	54,429,904	-	48,667,485			
Accrued salaries and payroll taxes	457,333		296,565			
Accrued pension	45,490		30,751			
Accrued vacation and sick leave benefits	1,190,340		968,794			
Due to state - Intermediate care facility providers	3,646		3,646			
Deferred rent	834,667		484,544			
Client trust funds liability	1,253,183		933,050			
Total Liabilities	83,011,164		70,499,804			
Net Assets						
Without donor restrictions	1,550,043		1,698,975			
With donor restrictions	498,993		569,765			
Total Net Assets	2,049,036		2,268,740			
TOTAL LIABILITIES AND NET ASSETS	85,060,200	\$	72,768,544			

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

STATEMENTS OF ACTIVITIES

	<b>Without Donor</b>	With Donor	
Year Ended June 30, 2020	Restriction	Restriction	Total
Revenue			
State Regional Center contracts	\$ 236,143,058	\$ - \$	236,143,058
Intermediate Care Facility			
supplemental services income	1,208,130	-	1,208,130
Intermediate Care Facility administrative fee	16,079	-	16,079
Interest and dividend income - net of fees	14 <mark>8,530</mark>	1,879	150,409
Donations and grants	1,960	88,869	90,829
Unrealized gain (loss) on investments	(3 <mark>7,8</mark> 63)	-	(37,863)
Other income	504,995	-	504,995
Total Revenue	237,984,889	90,748	238,075,637
Net assets released from restrictions	16 <mark>1,5</mark> 20	(1 <mark>61,520</mark> )	
Total Revenue and Net Assets Released			
From Restrictions	<b>238,</b> 14 <mark>6,4</mark> 09	(70,772)	238,075,637
Expenses			
Program Services			
Intake	1,127,381	-	1,127,381
Service coordination	16,947,615	-	16,947,615
Program development	1,293,432	-	1,293,432
Monitoring and evaluation	458,249	-	458,249
Clinical services	822,114	-	822,114
Family support	458,986	-	458,986
Training and development	150,491	-	150,491
Consumer benefits coordination	250,644	-	250,644
Living out of own home	58,443,208	-	58,443,208
Day program	28,965,977	-	28,965,977
Other purchased services	126,364,488	-	126,364,488
Total Program Services	235,282,585	-	235,282,585
Supporting Services			
Management and general	3,012,756	-	3,012,756
Total Supporting Services	3,012,756	-	3,012,756
Total Expenses	238,295,341	-	238,295,341
Changes in Net Assets	(148,932)	(70,772)	(219,704)
Net Assets - Beginning of Year	1,698,975	569,765	2,268,740
Net Assets - End of Year	\$ 1,550,043	\$ 498,993 \$	2,049,036

 $\label{thm:company} \textit{The accompanying notes are an integral part of these financial statements}.$ 

STATEMENTS OF ACTIVITIES (Continued)

Year Ended June 30, 2019	١	Without Donor Restriction	With Donor Restriction	Total
Teal Elided Julie 30, 2013		Restriction	Restriction	Total
Revenue				
State Regional Center contracts	\$	206,640,992	\$ -	\$ 206,640,992
Intermediate Care Facility				
supplemental services income		1,200,429	-	1,200,429
Intermediate Care Facility administrative fee		18,006	-	18,006
Interest and dividend income - net of fees		140,817	4,021	144,838
Donations and grants		500	131,589	132,089
Unrealized gain (loss) on investments		63,524	-	63,524
Other income		36 <mark>2,5</mark> 33	-	362,533
Total Revenue		208,426,801	1 <mark>35,610</mark>	208,562,411
Net assets released from restrictions		10 <mark>9,2</mark> 16	(1 <mark>09,216</mark> )	
Total Revenue and Net Assets Released				
From Restrictions		208,536,017	26,394	208,562,411
Expenses				
Program Services				
Intake		1,101,044	-	1,101,044
Service coordination		17,036,327	-	17,036,327
Program development		1,329,521	-	1,329,521
Monitoring and evaluation		605,361	-	605,361
Clinical services		846,828	-	846,828
Family support		575,877	-	575,877
Training and development		159,741	-	159,741
Consumer benefits coordination		262,693	-	262,693
Living out of own home		50,181,826	-	50,181,826
Day program		28,576,868	-	28,576,868
Other purchased services		104,356,928	-	104,356,928
Total Program Services		205,033,014	-	205,033,014
Supporting Services				
Management and general		3,199,788	-	3,199,788
Total Supporting Services		3,199,788	-	3,199,788
Total Expenses		208,232,802	-	208,232,802
Changes in Net Assets		303,215	26,394	329,609
Net Assets - Beginning of Year		1,395,760	543,371	1,939,131
Net Assets - End of Year	\$	1,698,975	\$ 569,765	\$ 2,268,740

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

STATEMENTS OF FUNCTIONAL EXPENSES

					Program Serv	/ices			
					Monitoring			Training	
		Service	Program		and	Clinical	Family	and	Balance
Year Ended June 30, 2020	Intake	Coordination	Development		Evaluation	Services	Support	Development	Forward
Salaries	\$ 696,903 \$	10,571,274	\$ 800,554	\$	279,246 \$	506,366 \$	340,562	87,182 \$	13,282,087
Employee health and retirement benefits	177,311	2,626,402	203,020		73,722	130,054	48,770	26,086	3,285,365
Payroll taxes	10,047	148,813	11,503		4,177	7,369	2,763	1,478	186,150
Total Salaries and Related Expenses	884,261	13,346,489	1,015,077		357,145	643,789	392,095	114,746	16,753,602
Purchase of services	-	-	7	\	-	-	-	-	-
Facility rent	110,877	1,642,351	126,953		46,100	81,326	30,497	16,312	2,054,416
Data processing	28,843	427,234	33,025		11,992	21,156	7,933	4,243	534,426
Contract/consulting services	27,792	411,614	31,807		11,576	20,388	7,665	4,067	514,909
General office expenses	21,222	314,350	24,299		8,824	15,566	5,837	3,122	393,220
Communications	17,281	25 <mark>5,9</mark> 73	19,787		7,185	12,675	4,753	2,542	320,196
Legal fees	9,631	142,653	11,027		4,004	7,064	2,649	1,417	178,445
Insurance - property and earthquake	8,571	12 <mark>6,9</mark> 58	9,814		3,564	6,287	2,358	1,261	158,813
Equipment maintenance and purchases	6,699	99,225	7,670		2,785	4,913	1,843	986	124,121
Travel	4,233	62,707	4,847		1,760	3,105	1,164	623	78,439
General expenses	3,379	50,048	3,869		1,405	2,478	929	497	62,605
ARCA dues	-	-	-		-	-	-	-	-
Facility and equipment maintenance	3,190	47,244	3,652		1,326	2,339	877	469	59,097
Accounting fees	-	-	-		-	-	-	-	-
Printing	1,402	20,769	1,605		583	1,028	386	206	25,979
Board of Directors' expenses	-	-	-		-	-	-	-	-
Insurance	-	_	-		-	-	-	-	
Total	\$ 1,127,381 \$	16,947,615	\$ 1,293,432	\$	458,249 \$	822,114 \$	458,986	150,491 \$	21,258,268

 $\label{the accompanying notes are an integral part of these financial statements.$ 

STATEMENTS OF FUNCTIONAL EXPENSES

(Continued)

			Program Ser	vices			Suppo			
	Balance	Consumer	Living		Othe	r	_	•	_	
Year Ended June 30, 2020	Brought Forward	Benefits Coordination	Out of Own Home	Day Program	Purchase Service		Total Program		Management and General	Total Expenses
Salaries	\$ 13,282,087 \$	149,681	\$ - \$	- \$		- \$	13,431,768	\$	1,811,161	\$ 15,242,929
Employee health and retirement benefits	3,285,365	41,587	-	-		-	3,326,952		453,675	3,780,627
Payroll taxes	186,150	2,356	-	- '		•	188,506		25,705	214,211
Total Salaries and Related Expenses	16,753,602	193,624	-				16,947,226		2,290,541	19,237,767
Purchase of services	-	-	58,443,208	28,9 <mark>65</mark> ,977	12 <mark>6,</mark> 364,488	3	213,773,673		-	213,773,673
Facility rent	2,054,416	26,005					2,080,421		283,695	2,364,116
Data processing	534,426	6,765					541,191		73,798	614,989
Contract/consulting services	514,909	6,518		-			521,427		20,836	542,263
General office expenses	393,220	4,977		-			398,197		54,300	452,497
Communications	320,196	4,053	-	-			324,249		44,217	368,466
Legal fees	178,445	2,259		-		-	180,704		24,642	205,346
Insurance - property and earthquake	158,813	2,010			-		160,823		21,928	182,751
Equipment maintenance and purchases	124,121	1,571		-			125,692		17,140	142,832
Travel	78,439	993	_	-	-		79,432		10,833	90,265
General expenses	62,605	792	-	-	-		63,397		8,645	72,042
ARCA dues	-	-	-	-			-		68,389	68,389
Facility and equipment maintenance	59,097	748	-	-	-		59,845		8,162	68,007
Accounting fees	-	-	-	-	-		-		57,000	57,000
Printing	25,979	329	-	-	-		26,308		3,589	29,897
Board of Directors' expenses	-	-	-	-			-		13,768	13,768
Insurance	-	-	-	-	-		-		11,273	11,273
Total	\$ 21,258,268 \$	250,644	\$ 58,443,208 \$	28,965,977 \$	126,364,488	\$	235,282,585	\$	3,012,756	\$ 238,295,341

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

STATEMENTS OF FUNCTIONAL EXPENSES

(Continued)

						Program Se	ervices	6					
					N	<b>lonitoring</b>						Training	
		Service		Program		and		Clinical		Family		and	Balance
Year Ended June 30, 2019	Intake	Coordination	[	Development	- 1	Evaluation		Services		Support	De	evelopment	Forward
Salaries	\$ 630,074 \$	9,851,189	\$	762,245	\$	343,223 \$		482,965	\$ 3	389,852	\$	85,334	\$ 12,544,882
Employee health and retirement benefits	161,635	2,465,711		194,661		89,960		124,877		63,823		25,521	3,126,188
Payroll taxes	9,070	138,356		10,923		5,048		7,007		3,581		1,432	175,417
Total Salaries and Related Expenses	800,779	12,455,256		967,829		438,231		614,849	4	157,256		112,287	15,846,487
Purchase of services	-	1		-				-		-		-	-
Facility rent	101,330	1,545,767		122,034		56,396		78,286		40,011		15,999	1,959,823
Contract/consulting services	48,370	738,448		58,328		26,935		37,368		19,158		7,682	936,289
General office expenses	37,019	564,724		44,583		20,604		28,601		14,617		5,845	715,993
Data processing	26,576	405,405		32,006		14,791		20,532		10,494		4,196	514,000
Legal fees	25,365	38 <mark>6,9</mark> 34		30,547		14,117		19,596		10,015		4,005	490,579
Equipment maintenance and purchases	16,476	25 <b>1,3</b> 39		19,843		9,170		12,729		6,506		2,601	318,664
Communications	16,197	24 <b>7,0</b> 78	<b>\</b>	19,506		9,014		12,513		6,395		2,557	313,260
Facility and equipment maintenance	11,281	172,095		13,586		6,279		8,716		4,455		1,781	218,193
Insurance - property and earthquake	8,167	124,589		9,836		4,546		6,310		3,225		1,290	157,963
Travel	6,053	92,345		7,290		3,369		4,677		2,390		956	117,080
ARCA dues	-	-		-		-		-		-		-	-
Accounting fees	-	-		-		-		-		-		-	-
Printing	1,876	28,625		2,260		1,044		1,450		741		296	36,292
General expenses	1,555	23,722		1,873		865		1,201		614		246	30,076
Board of Directors' expenses		-		-		-		-		-		-	-
Insurance	-	-		-		-		-		-		-	
Total	\$ 1,101,044 \$	17,036,327	\$	1,329,521	\$	605,361 \$	5	846,828	\$ 5	575,877	\$	159,741	\$ 21,654,699

 $\label{the accompanying notes are an integral part of these financial statements.$ 

STATEMENTS OF FUNCTIONAL EXPENSES

(Continued)

					Progran	n Ser	vices				Suppo	rting Services	
		Balance	Consu	mer	Livin	3			Other				
Year Ended June 30, 2019		Brought Forward	Benefits Coordination		Out of Own Home		Day Program		irchased Services	Total Program	Management and Genera		Total Expenses
Salaries	\$	12,544,882 \$	-	908	\$ -	\$	- \$		-	\$ 12,689,790	\$	1,812,239	
Employee health and retirement benefits Payroll taxes		3,126,188 175,417	,	407 267	-				-	3,166,595 177,684		457,021 25,644	3,623,616 203,328
Total Salaries and Related Expenses		15,846,487	187,	582	-		-		-	16,034,069		2,294,904	18,328,973
Purchase of services		-		-	50,181,826		28,5 <mark>76,868</mark>	104,	356,928	183,115,622			183,115,622
Facility rent		1,959,823	25,	331	-		-		-	1,985,154		286,509	2,271,663
Contract/consulting services		936,289	12,	140	+				-	948,429		31,129	979,558
General office expenses		715,993	9,	254			-		-	725,247		104,673	829,920
Data processing		514,000	6,	644			-		-	520,644		75,141	595,785
Legal fees		490,579	6,	341	-		-		-	496,920		71,720	568,640
Equipment maintenance and purchases		318,664	4,	119			-		-	322,783		46,586	369,369
Communications		313,260	4,	049			_		-	317,309		45,797	363,106
Facility and equipment maintenance		218,193	2,	820			-		-	221,013		31,898	252,911
Insurance - property and earthquake		157,963	2,	042			-		-	160,005		23,091	183,096
Travel		117,080	1,	<b>51</b> 3	-		-		-	118,593		17,117	135,710
ARCA dues		-		-	-		-		-	-		68,389	68,389
Accounting fees		-		-	-		-		-	-		56,500	56,500
Printing		36,292		469	-		-		-	36,761		5,307	42,068
General expenses		30,076		389	-		-		-	30,465		4,397	34,862
Board of Directors' expenses		-		-	-		-		-	-		25,356	25,356
Insurance		-		-	-		-		-	-		11,274	11,274
Total	\$	21,654,699 \$	262,	693	\$ 50,181,826	\$	28,576,868 \$	104,	356,928	\$ 205,033,014	\$	3,199,788	\$ 208,232,802

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

STATEMENTS OF CASH FLOWS

Years Ended June 30	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets \$	(219,704)	\$ 329,609
Adjustments to reconcile change in net assets		
to net cash provided (used) by operating activities:		
Unrealized (gain) loss on investments	37,863	(63,524)
Dividends reinvested	(28,027)	(29,815)
(Increase) decrease in:		
Receivable - State Regional Center contracts	( <mark>7,2</mark> 43,527)	(24,494,434)
Receivable - Intermediate care facility providers	(33,102)	(63,000)
Other receivables	5 <mark>10,870</mark>	268,154
Prepaid expenses	(3,715)	(64,154)
Increase (decrease) in:		
Accounts payabl <mark>e</mark>	<mark>5,6</mark> 81,632	517,765
Advance - State Regional Center contracts	5,7 <mark>62,419</mark>	20,360,457
Accrued salaries <mark>an</mark> d pay <mark>rol</mark> l t <mark>axes</mark>	160,768	9,818
Accrued pensions	14,739	1,145
Client trust fund liability	320,133	(38,073)
Net Cash Provided (Us <mark>ed)</mark> By Operat <mark>ing Activities</mark>	4,960,349	(3,266,052)
CACILEI OVAC EDONA INVESTING A CTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES  Purchase of investments	(12 702)	(500)
Sale of investments	(13,703) 610,854	(500)
		(500)
Net Cash Provided (Used) By Investing Activities	597,151	(500)
Net Increase (Decrease) in Cash	5,557,500	(3,266,552)
Cash and Cash Equivalents - Beginning of Year	5,822,052	9,088,604
Cash and Cash Equivalents - End of Year \$	11,379,552	\$ 5,822,052
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents \$	9,385,664	\$ 4,143,548
Cash and cash equivalents - client trust funds	1,993,888	1,678,504
Total Cash and Cash Equivalents \$	11,379,552	
, otal cash and cash 24 and cash	11,073,331	7 3,022,032
SCHEDULE OF NONCASH		
Increase in due from state - accrued vacation and		
sick leave benefits \$	(221,546)	
Increase in due from state - deferred rent	(350,123)	(484,544)
Increase in accrued vacation and sick leave benefits	221,546	257,573
Increase in deferred rent	350,123	484,544
Total \$	- (	\$ -

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. Program service payments were made in the normal course of business on behalf of persons with developmental disabilities that were governing board members or were related to governing board members.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

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

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

Significant Concentrations of Credit Risk Due to the unique requirements of the State and the large fluctuations in account balances the Foundation can have during the year, it is not feasible for the Foundation to diversify its cash balances among various financial institutions. Therefore, the Foundation maintains substantially all of its cash and temporary cash investments at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020 and 2019 cash exceeded federally insured limits by \$11,115,449 and \$6,114,391, respectively. While the amount in the banks typically exceeded FDIC coverage during the year, historically the Foundation has not experienced any losses on such accounts. For these reasons, management believes it is not exposed to any significant credit risk on such accounts.

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

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

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

Equipment Purchases In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Foundation is required to maintain memorandum records of equipment purchases and dispositions. Equipment purchases are recorded as supporting or program service expenses when they are incurred. The cost basis of the property utilized by the Foundation and owned by the State at June 30, 2020 and 2019, was \$1,254,889 and \$1,254,889, respectively. These balances include only the equipment that exceeds \$5,000 as required by State Administrative Manual (SAM) guidelines.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

**Revenue and Revenue Recognition** The Center recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A significant portion of the Center's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as advance – State Regional Center contracts on the statement of financial position. The Center received-cost reimbursable grants of \$54,429,904 that have not been recognized in revenue as of June 30, 2020, because qualifying expenditures have not yet been incurred, with an advance payment of \$54,429,904 recognized in the statement of financial position as advance – State Regional Center contracts.

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

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

The Foundation accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes and how an uncertain tax position is recognized in financial statements. The Foundation analyzes tax positions taken in previously filed returns and tax positions expected to be taken in future returns. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. The Foundation's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2020 and 2019, and the Foundation does not expect this to change significantly over the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

**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 \$150,828 and \$155,701 are included in the Family Support program category for the years ended June 30, 2020 and 2019, respectively.

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

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

In May 2020, the FASB issued ASU 2020-05, which delayed the effective date of the standard to fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016 the FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundation's fiscal years beginning after December 15, 2021 (fiscal year ending June 30, 2023 for the Foundation), with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States. The Foundation is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, in addition to the impact on its employees. The Foundation has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact the Foundation's financial condition or result of operations in uncertain and being evaluated by management and the Board.

Change in Accounting Principle On June 21, 2018, FASB issued Accounting Standard Update (ASU) 2018-08, Not-for-Profit Entities (Topic 605) — Clarifying the Scope and the Accounting guidance for Contributions received and Contributions Made. The update addresses whether a grant, contract or agreement is a contribution or an exchange transaction based on whether the organization is receiving commensurate value in return. If commensurate value is received by the contributor, it is accounted for as an exchange transaction. If commensurate value is not received by the contributor, it is accounted for as a contribution. The Foundation has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. The ASU had no material effect on previously reported net assets.

#### 2. LIQUIDITY AND AVAILABILITY

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

Years Ended June 30	2020	2019		
Cash and cash equivalents	\$ 9,385,664 \$	4,143,548		
Investments	1,231,954	1,838,941		
Receivables - State Regional Center contracts	69,535,509	62,291,982		
Less: Advance State Regional Center contracts	(54,429,904)	(48,667,485)		
Receivables - Intermediate care facility providers	440,736	407,634		
Less: Due to state - Intermediate care facility providers	(3,646)	(3,646)		
Other receivables	11,418	522,288		
Less: Amounts of net assets subject to restriction for				
spending on a specific purpose	(146,082)	(218,564)		
Less: Endowment funds restricted in perpetuity	(352,911)	(351,201)		
Total	\$ 25,672,738 \$	19,963,497		

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

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

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

Years Ended June 30	2020	2019		
Support Social security and other client support	\$ 10,678,489	\$ 10,669,345		
Disbursements				
Living out of own home	\$ 7,499,928	\$ 7,467,040		
Other disbursements	3,522,729	3,898,315		
Total Disbursements	\$ 11,022,657	\$ 11,365,355		

#### 4. LINE OF CREDIT

The Foundation had a revolving note with City National Bank whereby it could borrow up to \$25,000,000 until June 30, 2020. Interest on the outstanding balance was payable at the greater of 2.25% or 1% below the bank's prime rate. The line of credit expired on June 30, 2020. No amount was outstanding on the revolving note as of June 30, 2020 and 2019, respectively. In June 2020, the Foundation renewed the note to extend the expiration date to June 30, 2021 and to increase the limit to \$35,000,000.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

#### 5. FUNDING LIMITS

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

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

		Contract	C <mark>um</mark> ulative	Unexpended
Fiscal Years Ended		A <mark>mo</mark> unt	Expenses	Balance
June 30, 2020	\$	240,19 <mark>5,561 \$</mark>	23 <mark>2,3</mark> 26,035 \$	7,869,526
June 30, 2019	\$	208,269,698 \$	20 <mark>4,5</mark> 89,940 \$	3,679,758
June 30, 2018	\$	188,974,328 \$	18 <mark>7,5</mark> 94,543 \$	1,379,785

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

#### 6. OTHER PURCHASED SERVICES

Other purchased services consisted of the following:

Years Ended June 30	2020	2019
Nonmedical services	\$ 33,763,660	\$ 29,973,430
Respite	23,097,112	14,891,279
Other authorized services	42,119,264	35,461,692
Medical care	4,042,162	3,448,427
Transportation	3,817,382	3,887,110
Prevention services	14,918,792	13,699,296
Camps	299,996	366,743
Medical equipment	111,424	88,113
Home care services	3,379,595	2,421,562
Subtotal Other Purchased Services - Regional Center Contracts	125,549,387	104,237,652
Purchased services from donation and special project funds	815,101	119,276
Total Other Purchased Services	\$ 126,364,488	\$ 104,356,928

NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. NET ASSETS

June 30	2020 203							
NET ASSETS WITHOUT DONOR RESTRICTION Undesignated	\$	1,550, <mark>0</mark> 43 \$	1,698,975					
Total Net Assets Without Donor Restriction	\$	1,550,043 \$	1,698,975					
NET ASSETS WITH DONOR RESTRICTION		1						
Subject to Expenditures for Specified Purpose Client assistance Resource center Lanterman internship Dental care Infant and toddler programs Other	\$	39,327 \$ 6,727 21,717 1,653 34,511 42,147	64,197 6,756 21,590 1,644 82,450 41,927					
Subtotal		146,082	218,564					
Restricted by Donors in Perpetuity Endowment funds restricted in perpetuity		352,911	351,201					
Subtotal		352,911	351,201					
Total Net Assets With Donor Restriction	\$	498,993 \$	569,765					

#### 8. ENDOWMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

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

Changes in endowment net assets were as follows:

	Wi	tho <mark>ut</mark> Donor	Restricted In	
June 30, 2020		R <mark>est</mark> riction	Perpetuity	Total
Beginning of Year	\$	1 <mark>,48</mark> 7,740 \$	351,201 \$	1,838,941
Investment return:				
Investment income		32,480	1,710	34,190
Investment expe <mark>ns</mark> e		(6,163)	-	(6,163)
Net depreciation		(37,863)	-	(37,863)
Total Investment Return		(11,546)	1,710	(9,836)
Contributions		1,960	-	1,960
Interfund Transfer In		11,743	-	11,743
Grants		(610,854)	-	(610,854)
End of Year	\$	879,043 \$	352,911 \$	1,231,954

	W	ithout Donor	Restricted In		
June 30, 2019		Restriction	Perpetuity	Total	
Beginning of Year	\$	1,395,760 \$	349,342 \$	1,745,102	
Investment return:					
Investment income		35,330	1,859	37,189	
Investment expense		(7,374)	-	(7,374)	
Net appreciation		63,524	-	63,524	
Total Investment Return		91,480	1,859	93,339	
Contributions		500	-	500	
Interfund Transfer In		-	-	-	
Grants		-	-		
End of Year	\$	1,487,740 \$	351,201 \$	1,838,941	

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

#### 9. **COMMITMENTS**

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

The future minimum lease commitments, including the tenant allowance as of June 30, 2020, are payable as follows:

Years Ending Jur	ne 30				
2021				\$	2,262,463
2022					2,330,420
2023					2,398,375
2024					2,476,038
2025					2,543,993
2026-2029					8,097,957
Total				\$	20,109,246

Total rental expense, including monthly parking and storage costs, for the years ended June 30, 2020 and 2019, was \$2,364,116 and \$2,271,663, 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, 2020 and 2019, were approximately \$6.2 million and \$5.4 million, respectively.

#### 10. PENSION PLAN

The Foundation has a profit sharing pension plan which covers all employees. Contributions to the plan are based upon a percentage of each participant's compensation. Contributions to the plan are fully vested. Total pension expense for the years ended June 30, 2020 and 2019, was \$1,612,756 and \$1,544,347, respectively.

#### 11. LITIGATION CLAIMS AND CONTINGENCIES

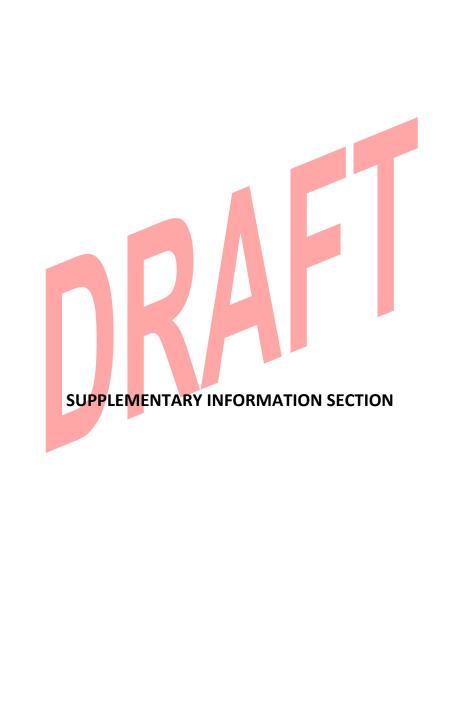
In accordance with the terms of the State of California contract, an audit may be performed by an authorized state representative. Should such audit disclose any unallowable costs, the Foundation may be liable to the State for reimbursement of such costs. In the opinion of the Foundation's management, the effect of any disallowed costs, if any, would be immaterial to the financial statements as of June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

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)	19/20	H1 <mark>81</mark> A190037	84.181A	\$ 3,098,935
Total U.S. Department of Education				3,098,935
Total Expenditures of Federal Awards				\$ 3,098,935

#### **Purpose of Schedules**

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

#### **Basis of Presentation**

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

#### **Indirect Cost Rate**

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

# **Los Angeles County Developmental Services Foundation** SCHEDULE OF FINANCIAL POSITION BY FUND

June 30, 2020	Regional Center	Client Trust Funds	Endowment Fund	Donation Funds	Special Project Funds	Total
ASSETS						
Cash and cash equivalents	\$ 8,568,582	\$ - \$	-	\$ 109,918 \$	707,164 \$	9,385,664
Cash and cash equivalents - client trust fund	-	1,993,888	-	-	-	1,993,888
Investments	-	-	1,231,954	-	-	1,231,954
Receivable - State Regional Center contracts	69,535,509	-	-		-	69,535,509
Receivable - Intermediate care facility providers	440,736	-	-		-	440,736
Interfund receivable (payable)	77,485	(77,485)	-	-	-	-
Other receivables	5,759	5,659			-	11,418
Prepaid expenses	316,239	-		-	-	316,239
Due from state - accrued vacation leave benefits	1,190,340	-	-	-	-	1,190,340
Due from state - deferred rent	834,667	-	-	-	-	834,667
Deposits	119,785	-	-	-	-	119,785
TOTAL ASSETS	\$ 81,089,102	\$ 1,922,062 \$	1,231,954	\$ 1 <mark>09,9</mark> 18 \$	707,164 \$	85,060,200
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 24,127,722	\$ 668,879 \$	-	\$ - \$	- \$	24,796,601
Advance - State Regional Center contracts	54,429,904		-	-	-	54,429,904
Accrued salaries and payroll taxes	457,333		-	-	-	457,333
Accrued pension	45,490	_	-	-	_	45,490
Accrued vacation leave benefits	1,190,340	-	_	-	_	1,190,340
Due to state - Intermediate care facility providers	3,646		_	_	_	3,646
Deferred rent	834,667	_	_	_	_	834,667
Client trust funds liability	- 7	1,253,183		-	-	1,253,183
Total Liabilities	81,089,102	 1,922,062	-	-	-	83,011,164
Net Assets						
Without donor restrictions		-	879,043	-	671,000	1,550,043
With donor restrictions	_	-	352,911	109,918	36,164	498,993
Total Net Assets	-	-	1,231,954	109,918	707,164	2,049,036
TOTAL LIABILITIES AND NET ASSETS	\$ 81,089,102	\$ 1,922,062 \$	1,231,954	\$ 109,918 \$	707,164 \$	85,060,200

# **Los Angeles County Developmental Services Foundation** SCHEDULE OF ACTIVITIES BY FUND

Year Ended June 30, 2020	Regional Center	Endowment Fund		Special Project Funds	
·	Center	Tunu	Tunus	Tunus	10141
REVENUE	ć 226.442.0F0	<u> </u>	<u> </u>	<b>^</b>	ć 226.442.0E0
State Regional Center contracts Intermediate Care Facility	\$ 236,143,058	\$ -	\$ -	\$ -	\$ 236,143,058
supplemental services income	1,208,130				1,208,130
Intermediate Care Facility administrative fee	16,079	-			16,079
Interest and dividend income - net of fees	118,045	28,027	716	3,621	150,409
Donations and grants	110,045	1,960	88,869	3,021	90,829
Unrealized gain (loss) on investments	_	(37,863)	-	_	(37,863)
Other income	-	(37,303)		504,995	504,995
Interfund transfer in (out)		11,743	(11,743)	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
	227 405 242			500.646	222 275 527
TOTAL REVENUE	237,485,312	3,867	77,842	508,616	238,075,637
EXPENSES					
Program Services					
Intake	1,127,381		_	_	1,127,381
Service coordination	16,947,615		_	_	16,947,615
Program development	1,293,432		_	_	1,293,432
Monitoring and evaluation	458,249	_		-	458,249
Clinical services	822,114		_	-	822,114
Family support	458,986		-	-	458,986
Training and development	150,491	-	-	-	150,491
Consumer benefits coordination	250,644	-	-	-	250,644
Living out of own home	58,443,208	-	-	-	58,443,208
Day program	28,965,977	-	-	-	28,965,977
Other purchased services	125,554,459	610,854	101,479	97,696	126,364,488
Total Program Services	234,472,556	610,854	101,479	97,696	235,282,585
Supporting Services					
Management and general	3,012,756		<u>-</u>	-	3,012,756
Total Supporting Services	3,012,756	-		-	3,012,756
TOTAL EXPENSES	237,485,312	610,854	101,479	97,696	238,295,341
Changes in Net Assets	-	(606,987)	(23,637)	410,920	(219,704)
Net Assets - Beginning of Year	-	1,838,941	133,555	296,244	2,268,740
Net Assets - End of Year	\$ -	\$ 1,231,954	\$ 109,918	\$ 707,164	\$ 2,049,036



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Los Angeles County Developmental Services Foundation dba the Frank D. Lanterman Regional Center, a California nonprofit corporation (the Foundation), which comprise the statement of financial position as of June 30, 2020, 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 DATE.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

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

(Continued)

#### **Compliance and Other Matters**

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

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

#### DATE

AGT CPAs & Advisors Redding, California

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

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

#### Report on Compliance for the Major Federal Program

We have audited Los Angeles County Developmental Services Foundation's dba the Frank D. Lanterman Regional Center, a California nonprofit corporation (the Foundation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2020. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

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

(Continued)

#### Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

#### Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

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

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

(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



AGT CPAs & Advisors Redding, California



SCHEDULE OF FINDINGS AND QUESTIONED COSTS June 30, 2020

# SECTION I SUMMARY OF AUDITORS' RESULTS

#### **FINANCIAL STATEMENTS**

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?

No
Are any significant deficiencies identified?

None reported

Is any noncompliance material to financial statements noted?

**FEDERAL AWARDS** 

Internal control over major programs:

Are any material weaknesses identified?

No
Are any significant deficiencies identified?

None reported

Type of auditors' report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance

with the Uniform Guidance?

Identification of major programs:

CFDA No. 84.181A Special Education – Grants for Infants and Families with Disabilities (Part C)

Threshold for distinguishing types A and B programs: \$750,000

Auditee qualified as low-risk auditee?

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS June 30, 2020

None

