

ADMINISTRATIVE AFFAIRS COMMITTEE

Frank D. Lanterman Regional Center

Administrative Affairs Committee

February 13, 2024

MINUTES

PRESENT

Lili Romero-Riddell, Chair
Mark Higgins
Al Marsella
Larry DeBoer
Jack Gilbertson
Marjorie Heller

NOT PRESENT

Allison Fuller
Minh Khoa Tran
Dr. Tony Stein

STAFF

Jennifer Ball
Kaye Quintero
Melinda Sullivan

GUESTS

Tom Huey, Windes
AJ Hamon, Windes
Aaron Phillips, Windes
Kirk Thivierge, Windes

CALL TO ORDER

The meeting was called to order at 12:02 PM

REVIEW OF MINUTES

The minutes of January 9, 2024 were reviewed and approved by consensus.

CHAIRPERSON'S REPORT

Ms. Romero had nothing to report.

REPORT FROM CPA FIRM

Mr. Tom Huey from Windes presented a draft of the audited financial statements. The committee had a few clarification questions that Mr. Huey addressed. Mr. Aaron Phillips reviewed the 990 corporate tax return. The address for DDS needs to be changed and updated. Otherwise, there were no changes suggested by the committee.

Ms. Heller made a motion to recommend the independent audit report and the tax return as drafted to the Board of Directors. It was seconded by Mr. DeBoer and was approved by consensus.

REVIEW OF FINANCIAL STATEMENTS

Cash Flow

Ms. Quintero reported that the Center is projected to have \$55,715,493 available at the end of April 30, 2024.

Ms. Quintero reviewed the financial statements through December 31, 2023.

Fiscal Year to date 2023-2024 (E-1)

In Operations (main contract) we have spent \$15,984,486 (41.3% of budget). In Purchase of services (main contract) we have spent \$147,200,144 before we add late bills. Including projected late bills, we will have spent \$159,756,781 (46.0% of budget).

Fiscal Year 2022-2023 (D-3)

This month we recorded \$1,538. in OPS and \$563,653 in POS. To date, we have spent 96.5% of our OPS and 71.4% of our POS allocations.

Fiscal Year 2021-22 (C-4)

This month we recorded \$56,10 in OPS and \$45,529 in POS. To date, we have spent 99.4% of our OPS and 89.9% of our POS allocations.

CA COMMUNITY FOUNDATION ENDOWMENT FUND UPDATE

Ms. Ball reviewed the California Community Foundation Endowment Fund activity through December 31, 2023.

REVIEW OF DONATION AND RELATED ACCOUNTS

Ms. Ball reviewed the donation and related accounts.

NEXT MEETING

The next meeting will be on March 12, 2024.

ADJOURNMENT

The meeting was adjourned 1:15 PM

/gs

Draft



FRANK D. LANTERMAN
REGIONAL CENTER

**LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION
DBA – FRANK D. LANTERMAN REGIONAL CENTER**

**REPORT TO THE ADMINISTRATIVE AFFAIRS COMMITTEE
RESULTS OF THE JUNE 30, 2023 AUDIT**

Presented by Windes, Inc.



Long Beach | Irvine | Los Angeles

www.windes.com
844.4WINDES

February 13, 2024

To the Administrative Affairs Committee
Los Angeles County Developmental Services Foundation
dba Frank D. Lanterman Regional Center

We are pleased to have the opportunity to discuss the results of our audit of the June 30, 2023 financial statements of Frank D. Lanterman Regional Center (the Center).

A direct line of communication between the Administrative Affairs Committee and Windes, Inc. is essential to the exercise of our respective responsibilities. Our appointment involves a responsibility on our part to call to your attention any significant matters we believe require your consideration, either at a regularly scheduled meeting or on a timelier basis, if warranted. Should you have any questions or observations, please call Tom Huey, the engagement partner, at 562-304-1248.

The accompanying report presents information regarding our audit and certain other information we believe will be of interest to you, and is intended solely for use by the Administrative Affairs Committee, Board of Directors and management of the Center and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

WINDES, INC.

FRANK D. LANTERMAN REGIONAL CENTER
RESULTS OF THE 2023 AUDIT

COMMUNICATIONS WITH THE
ADMINISTRATIVE AFFAIRS COMMITTEE

Financial Statements

- We have audited the financial statements of the Center for the year ended June 30, 2023 and plan to issue an unmodified report. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information on our engagement letter to you dated August 1, 2023. Professional standards also require we communicate to you the following information related to our audit.

Significant Accounting Policies

- Management is responsible for the selections and use of appropriate accounting policies. The significant accounting policies used by the Center are disclosed in Note 1 to the financial statements. During the fiscal year ended June 30, 2023, the Center adopted ASC 842 Leases to recognize the right of use asset and corresponding liability for long term leases. No other new accounting policies were adopted and the application of existing policies were not changed during the fiscal year ended June 30, 2023. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
- The financial statement disclosures are neutral, consistent, and clear.

Management Judgments and Accounting Estimates

- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was the functional allocation of expenses.

FRANK D. LANTERMAN REGIONAL CENTER
RESULTS OF THE 2023 AUDIT

COMMUNICATIONS WITH THE
ADMINISTRATIVE AFFAIRS COMMITTEE

Significant Audit Adjustments

- Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Material adjustments detected as a result of audit procedures and corrected by management consisted of adjustments recorded to accrue additional payables and related state claims receivable, state income, and expenses for supplemental claims for expenses paid after June 30, 2023 which apply to the 2022/2023 contract year, and to accrue vacation and leave benefits and rent receivable as of June 30, 2023. These accruals are not recorded in the UFS accounting system at June 30, 2023 as the UFS system tracks each contract year separately in the general ledger and the Department of Developmental Services contract only allows for the recognition of those items when the expense is incurred.

Difficulties Encountered in Performing the Audit

- We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

- We will request certain representations from management that will be included in the management representation letter.

**FRANK D. LANTERMAN REGIONAL CENTER
RESULTS OF THE 2023 AUDIT**

**COMMUNICATIONS WITH THE
ADMINISTRATIVE AFFAIRS COMMITTEE**

**Major Issues Discussed With
Management Prior To Retention**

- We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management during the year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Consultation by Management with Other
Accountants**

- In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Information in Documents
Containing Audited Financial Statements**

- With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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For Management Review Only

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Los Angeles County Developmental Services Foundation (dba Lanterman Regional Center), a California nonprofit corporation (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated [REPORT 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1, beginning July 1, 2022, the Foundation adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* and its related amendments using the modified-retrospective transition method. Our opinion is not modified with respect to this matter.

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For Management Review Only

Long Beach, California

[REPORT DATE]

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

STATEMENTS OF FINANCIAL POSITION

ASSETS

| | <u>June 30,</u> | |
|---|-----------------------------|-----------------------------|
| | <u>2023</u> | <u>2022</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 32,756,155 | \$ 26,925,509 |
| Cash and cash equivalents - client trust fund | 2,855,622 | 3,055,094 |
| Investments | 1,457,616 | 1,361,178 |
| Receivable - State Regional Center contracts | - | 2,188,082 |
| Receivable - Intermediate care facility providers | 290,431 | 274,173 |
| Prepaid expenses and other assets | 409,776 | 663,061 |
| Due from State - rent receivable | 1,207,198 | 1,183,888 |
| Due from State - accrued vacation and sick leave benefits | 1,793,419 | 1,401,300 |
| Deposits | 38,316 | 119,785 |
| Operating lease right-of-use asset | <u>20,887,691</u> | <u>-</u> |
| TOTAL ASSETS | <u><u>\$ 61,696,224</u></u> | <u><u>\$ 37,172,070</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|---|-------------------|-------------------|
| LIABILITIES | | |
| Accounts payable | \$ 33,099,871 | \$ 29,437,772 |
| Accrued salaries and payroll taxes | 856,390 | 1,067,806 |
| Contract advances - State Regional Center contracts | 637,223 | - |
| Accrued pension | 101,445 | 134,272 |
| Accrued vacation and sick leave benefits | 1,793,419 | 1,401,300 |
| Due to State - Intermediate care facility providers | 3,646 | 3,646 |
| Deferred rent | - | 1,183,888 |
| Unexpended client support | 1,429,132 | 1,741,813 |
| Operating lease liabilities | <u>22,094,889</u> | <u>-</u> |
| Total liabilities | <u>60,016,015</u> | <u>34,970,497</u> |

COMMITMENTS AND CONTINGENCIES (Note 10)

| | | |
|---|-----------------------------|-----------------------------|
| NET ASSETS | | |
| Without donor restrictions | 1,102,694 | 1,636,503 |
| With donor restrictions | <u>577,515</u> | <u>565,070</u> |
| Total net assets | <u>1,680,209</u> | <u>2,201,573</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 61,696,224</u></u> | <u><u>\$ 37,172,070</u></u> |

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

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|-------------------------|
| REVENUE AND SUPPORT | | | |
| State Regional Center contracts | \$ 323,391,249 | \$ - | \$ 323,391,249 |
| Intermediate care facility supplemental services income | 557,958 | - | 557,958 |
| Interest and dividend income, net of fees | 145,752 | 1,106 | 146,858 |
| Donations and grants | - | 128,723 | 128,723 |
| Investment return | 90,242 | - | 90,242 |
| Net assets released from restrictions | <u>81,220</u> | <u>(81,220)</u> | <u>-</u> |
| Total Revenue and Support | <u>324,266,421</u> | <u>48,609</u> | <u>324,315,030</u> |
| EXPENSES | | | |
| Program Services: | | | |
| Direct consumer services | 319,003,193 | - | 319,003,193 |
| Supporting Services: | | | |
| Management and general | <u>5,833,201</u> | <u>-</u> | <u>5,833,201</u> |
| Total Expenses | <u>324,836,394</u> | <u>-</u> | <u>324,836,394</u> |
| CHANGE IN NET ASSETS | (569,973) | 48,609 | (521,364) |
| NET ASSETS AT BEGINNING OF YEAR | <u>1,636,503</u> | <u>565,070</u> | <u>2,201,573</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 1,066,530</u> | <u>\$ 613,679</u> | <u>\$ 1,680,209</u> |

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

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

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

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

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

| | <u>Program Services</u> | <u>Supporting Services</u> | |
|--|---|-----------------------------------|---------------------------|
| | <u>Direct Consumer Services</u> | <u>Management and General</u> | <u>Total Expenses</u> |
| SALARIES AND RELATED EXPENSES | | | |
| Salaries | \$ 18,149,314 | \$ 2,954,540 | \$ 21,103,854 |
| Employee health and retirement benefits | 4,937,928 | 803,849 | 5,741,777 |
| Payroll taxes | <u>256,214</u> | <u>41,709</u> | <u>297,923</u> |
| Total Salaries and Related Expenses | 23,343,456 | 3,800,098 | 27,143,554 |
| Purchase of services | | | |
| Living Out of Home | 75,560,324 | - | 75,560,324 |
| Day Program | 29,525,834 | - | 29,525,834 |
| Other Purchased Services | 178,860,749 | - | 178,860,749 |
| Facility rent | 3,675,171 | 598,284 | 4,273,455 |
| Data processing | 686,508 | 111,757 | 798,265 |
| Contract/consulting services | 4,426,566 | 720,604 | 5,147,170 |
| General office expenses | 134,355 | 21,872 | 156,227 |
| Communications | 399,639 | 65,057 | 464,696 |
| Legal fees | 204,740 | 33,330 | 238,070 |
| Insurance | 250,583 | 40,793 | 291,376 |
| Equipment purchases | 649,855 | 105,790 | 755,645 |
| Travel | 63,486 | 10,335 | 73,821 |
| General expenses | 275,390 | 44,831 | 320,221 |
| ARCA dues | - | 69,363 | 69,363 |
| Facility and equipment maintenance | 919,562 | 149,696 | 1,069,258 |
| Accounting fees | - | 57,000 | 57,000 |
| Printing | 18,289 | 2,977 | 21,266 |
| Board of Directors' expenses | <u>8,686</u> | <u>1,414</u> | <u>10,100</u> |
| TOTAL EXPENSES | <u>\$ 319,003,193</u> | <u>\$ 5,833,201</u> | <u>\$ 324,836,394</u> |

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

PRELIMINARY DRAFT STAMP
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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

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

| | <u>Program Services</u> | <u>Supporting Services</u> | |
|--|---|-----------------------------------|---------------------------|
| | <u>Direct Consumer Services</u> | <u>Management and General</u> | <u>Total Expenses</u> |
| SALARIES AND RELATED EXPENSES | | | |
| Salaries | \$ 16,380,910 | \$ 2,233,760 | \$ 18,614,670 |
| Employee health and retirement benefits | 4,010,932 | 546,945 | 4,557,877 |
| Payroll taxes | <u>227,468</u> | <u>31,018</u> | <u>258,486</u> |
| Total Salaries and Related Expenses | 20,619,310 | 2,811,723 | 23,431,033 |
| Purchase of services | | | |
| Living Out of Home | 68,645,726 | - | 68,645,726 |
| Day Program | 26,725,767 | - | 26,725,767 |
| Other Purchased Services | 173,836,828 | - | 173,836,828 |
| Facility rent | 2,405,229 | 327,986 | 2,733,215 |
| Data processing | 660,148 | 90,020 | 750,168 |
| Contract/consulting services | 1,119,857 | 152,709 | 1,272,566 |
| General office expenses | 239,540 | 32,664 | 272,204 |
| Communications | 281,060 | 38,326 | 319,386 |
| Legal fees | 271,344 | 37,001 | 308,345 |
| Insurance | 221,605 | 30,219 | 251,824 |
| Equipment purchases | 735,999 | 100,364 | 836,363 |
| Travel | 24,743 | 3,374 | 28,117 |
| General expenses | 169,695 | 23,140 | 192,835 |
| ARCA dues | - | 69,347 | 69,347 |
| Facility and equipment maintenance | 133,528 | 18,208 | 151,736 |
| Accounting fees | - | 5,000 | 5,000 |
| Printing | 41,304 | 5,632 | 46,936 |
| Board of Directors' expenses | <u>744</u> | <u>102</u> | <u>846</u> |
| TOTAL EXPENSES | <u>\$ 296,132,427</u> | <u>\$ 3,745,815</u> | <u>\$ 299,878,242</u> |

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

PRELIMINARY DRAFT STAMP
Subject to Change
For Management Review Only

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

STATEMENTS OF CASH FLOWS

| | For the Year Ended June 30, | |
|---|--|----------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (521,364) | \$ (154,558) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Unrealized gain on investments | (90,242) | 198,445 |
| Reinvested interest and dividends | (6,196) | (9,849) |
| Amortization of operating right-of-use asset | (7,846,605) | - |
| (Increase) decrease in: | | |
| Receivable - State Regional Center contracts | 2,188,082 | 13,260,199 |
| Receivable - Intermediate care facility providers | (16,258) | (46,487) |
| Other receivables | | |
| Prepaid expenses | 253,285 | (120,113) |
| Due from State - accrued vacation and sick leave benefits | (392,119) | 15,372 |
| Due from State - rent receivable | (23,310) | (186,188) |
| Deposits | 81,469 | - |
| Increase (decrease) in: | | |
| Accounts payable | 3,662,099 | 817,835 |
| Accrued salaries and payroll taxes | (211,416) | 490,770 |
| Contract advances | 637,223 | - |
| Accrued pension | (32,827) | 64,349 |
| Accrued vacation and sick leave benefits | 392,119 | (15,372) |
| Deferred revenue | - | (111,664) |
| Deferred rent | (1,183,888) | 186,188 |
| Unexpended client support | (312,681) | (1,016,092) |
| Operating lease liabilities | 9,053,803 | - |
| Net Cash Provided By Operating Activities | <u>5,631,174</u> | <u>13,372,835</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 5,631,174 | 13,372,835 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>29,980,603</u> | <u>16,607,768</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 35,611,777</u> | <u>\$ 29,980,603</u> |
| COMPONENTS OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents | \$ 32,756,155 | \$ 26,925,509 |
| Cash and cash equivalents - client trust funds | <u>2,855,622</u> | <u>3,055,094</u> |
| Total Cash and Cash Equivalents | <u>\$ 35,611,777</u> | <u>\$ 29,980,603</u> |

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

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

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Nature of Activities (Continued)

The Foundation contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for individuals with developmental disabilities and their families. The Foundation's contract with the DDS totaled \$429,222,271 and \$339,926,769 for the 2022-2023 and 2021-2022 contract year, respectively, and are subject to budget amendments. Amounts received from the DDS contracts are recognized as revenue when the Foundation has incurred qualifying operational expenditures per the DDS contracts. Amounts received prior to incurring qualifying operational expenditures are recorded as contract advances and are netted with contract receivable on the statements of financial position to the extent there are receivables due from DDS. As of June 30, 2023, actual net expenditures were \$309,269,865 and \$305,628,598 for the 2022-2023 and 2021-2022 contract, respectively. The remaining amounts on the 2022-2023 contract year where the Foundation can be reimbursed for qualifying expenditures are approximately \$119,952,000, subject to any future budget amendments.

Basis of Accounting

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

Use of Estimates and Assumptions

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

Financial Statement Presentation

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Financial Statement Presentation (Continued)

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

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

Fund Accounting

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

Cash and Cash Equivalents

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Significant Concentrations of Credit Risk

Due to the unique requirements of the State and the large fluctuation in account balances the Foundation can have during the year, it is not feasible for the Foundation to diversify its cash balances among various financial institutions. Therefore, the Foundation maintains substantially all of its cash and temporary cash investments at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. While the amount in the banks typically exceeded FDIC coverage during the year, historically the Foundation has not experienced any losses on such accounts. Management believes it is not exposed to any significant credit risk on such accounts.

Receivable – State Regional Center Contracts

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

Receivables from Intermediate Care Facility Providers

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

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Investments

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

Prepaid Expenses and other assets

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

Equipment Purchases

In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Foundation is required to maintain memorandum records of equipment purchases and dispositions. Equipment purchases are recorded as supporting or program service expenses when they are incurred. For the years ended June 30, 2023 and 2022, equipment purchases totaled approximately \$756,000 and \$836,000, respectively.

Vacation and Sick Leave Benefits

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies
(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 in accordance with the Act. Approximately 99% of revenue is derived from this source.

Contributions

Contributions, including unconditional promises to give, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Labor Concentration

Approximately 80% of the employees of the Foundation are represented by a union for collective bargaining purposes. Periodically, the collective bargaining agreement is subject to renegotiation. The current collective bargaining agreement will expire on June 5, 2025.

Income Taxes

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

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

Allocation of Expenses

The statements of functional expenses allocate expenses to the program and supporting service categories based on a direct cost basis for purchase of services and salaries and related expenses. In addition, expenses are allocated based on a percentage of salaries and related expenses per category to total salaries and related expenses for operating expenses.

Leasing Arrangements

In February 2016, the Financial Accounting Standards Board (FASB) issued new lease accounting guidance in Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)* (ASU 2016-02), which modifies lease accounting for lessees to increase transparency and comparability by requiring the Foundation to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements.

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Leasing Arrangements (Continued)

Effective July 1, 2022, the Foundation adopted ASU 2016-02. The Foundation determines if an arrangement contains a lease at inception based on whether the Foundation has the right to control the asset during the contract period and other facts and circumstances. The Foundation elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The Foundation's policy for determining its lease discount rate used measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Foundation has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Foundation has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statements of activities in the period in which the obligation for the payments is incurred.

The Foundation adopted ASU 2016-02 utilizing the modified-retrospective transition method through a cumulative-effect adjustment. The adoption of ASU 2016-02 resulted in the recognition of right-of-use assets of \$13,041,086 and operating lease liabilities of \$14,224,974 as of July 1, 2022. Results for periods beginning prior to July 1, 2022, continue to be reported in accordance with the historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on the Foundation's results of operations, cash flows, or debt covenants.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which changes the impairment model for most financial instruments, including trade receivables, from an incurred loss method to a new forward-looking approach, based on expected losses. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information, and reasonable and supportable forecasts. This ASU is effective for fiscal years beginning after December 15, 2022. The Foundation is currently evaluating the potential impact that the adoption of ASU 2016-13 will have on the financial statements.

Subsequent Events

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

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – Liquidity and Availability

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

| | June 30, | |
|--|----------------------|----------------------|
| | 2023 | 2022 |
| Financial Assets: | | |
| Cash and cash equivalents | \$ 32,756,155 | \$ 26,925,509 |
| Investments | 1,457,616 | 1,361,178 |
| Receivables – State Regional Center contracts | - | 2,188,082 |
| Receivable from intermediate care facility providers | 290,431 | 274,173 |
| | <u>34,504,202</u> | <u>30,748,942</u> |
| Less: Due to State – intermediate care facility providers | (3,646) | (3,646) |
| Less: Amounts of net assets subject to restriction for spending on a specific purpose | (222,593) | (210,699) |
| Less: Endowment funds restricted in perpetuity | <u>(354,922)</u> | <u>(354,371)</u> |
| Total financial assets available within one year | <u>\$ 33,923,041</u> | <u>\$ 30,180,226</u> |

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

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

The Foundation maintains a line of credit (see Note 6) 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.

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – Contract Receivable (Contract Advances) - State of California

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

As of June 30, 2023 and 2022, the DDS has advanced the Foundation \$97,981,681 and \$81,164,275, respectively, under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these claims have been offset against the advances from the State as follows:

| | <u>June 30,</u> | |
|--|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Contracts receivable | \$ 97,344,458 | \$ 83,352,357 |
| Contract advances | <u>(97,981,681)</u> | <u>(81,164,275)</u> |
| Net contracts receivable (contract advances) | <u>\$ (637,223)</u> | <u>\$ 2,188,082</u> |

The Foundation has renewed its contract with the State for the fiscal year ending June 30, 2024. The contract and amendments, if any, through the issuance of these financial statements provides for funding of \$389,600,209.

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 – Cash - Client Trust Funds and Client Trust Fund Liability

The Foundation functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of Foundation clients. The cash balances are segregated from the operating cash accounts of the Foundation and are restricted for client support. The following is a summary of client support and expenses not reported in the statements of activities for the years ended June 30, 2023 and 2022:

| | For the Year Ended | |
|--|---------------------------|----------------------|
| | June 30, | |
| | 2023 | 2022 |
| Support | | |
| Social security and other client support | <u>\$ 11,483,128</u> | <u>\$ 11,158,887</u> |
| Disbursements | | |
| Living out of own home | \$ 7,712,819 | \$ 7,257,871 |
| Other disbursements | <u>3,770,309</u> | <u>3,901,016</u> |
| Total Disbursements | <u>\$ 11,483,128</u> | <u>\$ 11,158,887</u> |

NOTE 5 – Lease Arrangements

The Foundation leases its main facilities under operating leases with 5-to-6-year initial terms. The leases include renewal options which can extend the lease term up to 10 years. The exercise of these renewal options is at the sole discretion of the Foundation, and only lease options that the Foundation believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of June 30, 2023:

| | |
|--|----------------------|
| Operating lease right-of-use assets | <u>\$ 20,887,691</u> |
| Current portion of operating lease liabilities | \$ 3,976,552 |
| Long-term portion of operating lease liabilities | <u>18,118,337</u> |
| | <u>\$ 22,094,889</u> |

The component of operating lease expense that is included in Facility Rent in the statement of functional expenses is \$1,207,198 for the year ended June 30, 2023.

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 – Lease Arrangements (Continued)

The following summarizes the cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement
of lease liabilities:

| | |
|--|--------------|
| Operating cash flows from operating leases | \$ 2,931,139 |
|--|--------------|

Noncash investing and financing activity:

| | |
|---|---------------|
| Right-of-use assets obtained in exchange for new operating lease liabilities | \$ 10,328,968 |
|---|---------------|

Weighted-average lease term and discount rate as of June 30, 2023 were as follows:

| | |
|--|------------|
| Weighted-average remaining lease term - operating leases | 4.88 years |
| Weighted-average discount rate - operating leases | 3.29% |

The maturities of operating lease liabilities as of June 30, 2023 are as follows:

| <u>Year Ending June 30,</u> | <u>Operating Leases</u> |
|---|-----------------------------|
| 2024 | \$ 4,623,077 |
| 2025 | 4,755,443 |
| 2026 | 4,899,449 |
| 2027 | 5,045,446 |
| 2028 | 4,575,874 |
| Thereafter | <u>-</u> |
| Total minimum lease payments | 23,899,289 |
| Less amount representing interest | <u>(1,804,400)</u> |
| Present value of minimum lease payments | 22,094,889 |
| Less current portion | <u>(3,976,552)</u> |
| | <u>\$ 18,118,337</u> |

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 – Line of Credit

The Foundation has a revolving note with City National Bank whereby it could borrow up to \$28,000,000 until June 30, 2024. Interest on the outstanding balance is payable at the greater of 2.25% or 1% below the bank's prime rate. No amount was outstanding on the revolving note as of June 30, 2023.

NOTE 7 – Other Purchased Services

Other purchased services for the years ended June 30, 2023 and 2022 consisted of the following:

| | June 30, | |
|----------------------------------|-----------------------|----------------------|
| | 2023 | 2022 |
| Nonmedical services | \$ 48,270,159 | \$ 37,683,539 |
| Respite | 32,298,492 | 51,211,341 |
| Other authorized services | 59,502,948 | 51,458,858 |
| Medical care | 8,303,031 | 7,811,960 |
| Transportation | 2,806,345 | 2,207,135 |
| Prevention services | 20,792,976 | 17,884,982 |
| Camps | 171,760 | 77,486 |
| Medical equipment | 141,493 | 119,794 |
| Home care services | <u>5,826,423</u> | <u>5,295,520</u> |
| Subtotal – Regional Center | | |
| Other purchased services | 178,113,627 | 173,750,615 |
| Purchased services from donation | | |
| Special project funds | <u>747,122</u> | <u>86,213</u> |
| Total - Other Purchased Services | <u>\$ 178,860,749</u> | <u>\$173,836,828</u> |

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 – Net Assets

| | <u>June 30,</u> | |
|---|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Net Assets Without Donor Restrictions | | |
| Undesignated | \$ 1,102,694 | \$ 1,636,503 |
| Total net assets without donor restrictions | <u>\$ 1,102,694</u> | <u>\$ 1,636,503</u> |
| Net Assets With Donor Restrictions | | |
| Subject to Expenditures for Specified Purpose | | |
| Client assistance | \$ 123,452 | \$ 89,363 |
| Resource center | 5,738 | 8,362 |
| Lanterman internship | 23,760 | 21,735 |
| Dental care | 1,660 | 1,655 |
| Infant and toddler programs | 64,141 | 47,395 |
| Other | 3,842 | 42,189 |
| | <u>222,593</u> | <u>210,699</u> |
| Restricted by Donors in Perpetuity | | |
| Subject to Expenditures for Specified Purpose | <u>354,922</u> | <u>354,371</u> |
| | <u>354,922</u> | <u>354,371</u> |
| Total net assets with donor restrictions | <u>\$ 577,515</u> | <u>\$ 565,070</u> |

NOTE 9 – Endowment

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

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 – Endowment (Continued)

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

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

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

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 – Endowment (Continued)

Changes in endowment net assets were as follows:

| | <u>For the Year Ended June 30, 2023</u> | | |
|-------------------------|--|--|---------------------|
| | <u>Without Donor Restrictions</u> | <u>Restricted in Perpetuity</u> | <u>Total</u> |
| Beginning of year | \$ 1,006,807 | \$ 354,371 | \$ 1,361,178 |
| Investment return: | | | |
| Investment income | 9,397 | 551 | 9,948 |
| Investment expense | (4,825) | - | (4,825) |
| Net appreciation | 91,315 | - | 91,315 |
| Total investment return | <u>95,887</u> | <u>551</u> | <u>96,438</u> |
| End of year | <u>\$ 1,102,694</u> | <u>\$ 354,922</u> | <u>\$ 1,457,616</u> |

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 – Commitments and Contingencies

Contingencies

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

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

Legal Proceedings

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

NOTE 11 – 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, 2023 and 2022 was approximately \$2,242,000 and \$1,967,000, respectively.

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

| <u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Grant Identification Number</u> | <u>Federal Expenditures</u> |
|---|--|--|---------------------------------|
| U.S. Department of Education Passed through State of California Department of Developmental Services | | | |
| Special Education – Grants for Infants and Families | 84.181A | H181A220037 | <u>\$ 3,066,002</u> |
| Total federal expenditures | | | <u><u>\$ 3,066,002</u></u> |

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Los Angeles County Developmental Services Foundation under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Los Angeles County Developmental Services Foundation for the Developmentally Disabled, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Los Angeles County Developmental Services Foundation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2023

| ASSETS | Regional Center | Client Trust Funds | Endowment Fund | Donation Funds | Total |
|--|----------------------------|-------------------------------|---------------------------|---------------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 32,533,562 | \$ - | \$ - | \$ 222,593 | \$ 32,756,155 |
| Cash and cash equivalents - client trust fund | - | 2,855,622 | - | - | 2,855,622 |
| Investments | - | - | 1,457,616 | - | 1,457,616 |
| Receivable - State Regional Center contracts | - | - | - | - | - |
| Receivable - Intermediate care facility providers | 290,431 | - | - | - | 290,431 |
| Interfund receivable (payable) | 151,644 | (151,644) | - | - | - |
| Prepaid expenses and other assets | 332,557 | 77,219 | - | - | 409,776 |
| Due from State - rent receivable | 1,207,198 | - | - | - | 1,207,198 |
| Due from State - accrued vacation leave benefits | 1,793,419 | - | - | - | 1,793,419 |
| Deposits | 38,316 | - | - | - | 38,316 |
| Operating lease right-of-use asset | 20,887,691 | - | - | - | 20,887,691 |
| TOTAL ASSETS | \$ 57,234,818 | \$ 2,781,197 | \$ 1,457,616 | \$ 222,593 | \$ 61,696,224 |
| LIABILITIES AND NET ASSETS | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 31,747,806 | \$ 1,352,065 | \$ - | \$ - | \$ 33,099,871 |
| Accrued salaries and payroll taxes | 856,390 | - | - | - | 856,390 |
| Contract advances - State Regional Center cor | 637,223 | - | - | - | 637,223 |
| Accrued pension | 101,445 | - | - | - | 101,445 |
| Accrued vacation leave benefits | 1,793,419 | - | - | - | 1,793,419 |
| Due to State - Intermediate care facility providers | 3,646 | - | - | - | 3,646 |
| Unexpended client support | - | 1,429,132 | - | - | 1,429,132 |
| Operating lease liabilities | 22,094,889 | - | - | - | 22,094,889 |
| TOTAL LIABILITIES | 57,234,818 | 2,781,197 | - | - | 60,016,015 |
| NET ASSETS | | | | | |
| Without donor restrictions | - | - | 1,102,694 | - | 1,102,694 |
| With donor restrictions | - | - | 354,922 | 222,593 | 577,515 |
| TOTAL NET ASSETS | - | - | 1,457,616 | 222,593 | 1,680,209 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 57,234,818 | \$ 2,781,197 | \$ 1,457,616 | \$ 222,593 | \$ 61,696,224 |

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**SCHEDULE OF ACTIVITIES BY FUND
FOR THE YEAR ENDED JUNE 30, 2023**

| | <u>Regional Center</u> | <u>Endowment Fund</u> | <u>Donation Funds</u> | <u>Special Project Funds</u> | <u>Total</u> |
|--|----------------------------|---------------------------|---------------------------|--------------------------------------|---------------------|
| REVENUE AND SUPPORT | | | | | |
| State Regional Center contracts | \$ 323,391,249 | \$ - | \$ - | \$ - | \$ 323,391,249 |
| Intermediate care facility supplemental services income | 557,958 | - | - | - | 557,958 |
| Interest and dividend income, net of fees | 140,065 | 6,196 | 555 | 42 | 146,858 |
| Donations and grants | - | - | 128,723 | - | 128,723 |
| Investment return | - | 90,242 | - | - | 90,242 |
| TOTAL REVENUE AND SUPPORT | <u>324,089,272</u> | <u>96,438</u> | <u>129,278</u> | <u>42</u> | <u>324,315,030</u> |
| EXPENSES | | | | | |
| Program Services: | | | | | |
| Direct consumer services | 318,256,071 | - | 81,220 | 665,902 | 319,003,193 |
| Supporting Services: | | | | | |
| Management and general | 5,833,201 | - | - | - | 5,833,201 |
| TOTAL EXPENSES | <u>324,089,272</u> | <u>-</u> | <u>81,220</u> | <u>665,902</u> | <u>324,836,394</u> |
| CHANGE IN NET ASSETS | - | 96,438 | 48,058 | (665,860) | (521,364) |
| NET ASSETS, BEGINNING OF YEAR | <u>-</u> | <u>1,361,178</u> | <u>174,535</u> | <u>665,860</u> | <u>2,201,573</u> |
| NET ASSETS, END OF YEAR | <u>\$ -</u> | <u>\$ 1,457,616</u> | <u>\$ 222,593</u> | <u>\$ -</u> | <u>\$ 1,680,209</u> |

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

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

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Los Angeles County Developmental Services Foundation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Los Angeles County Developmental Services Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Los Angeles County Developmental Services Foundation's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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Long Beach, California

[REPORT DATE]

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Los Angeles County Developmental Services Foundation's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Los Angeles County Developmental Services Foundation's major federal program for the year ended June 30, 2023. Los Angeles County Developmental Services Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Los Angeles County Developmental Services Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Los Angeles County Developmental Services Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Los Angeles County Developmental Services Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Los Angeles County Developmental Services Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

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For Management Review Only

Long Beach, California

[REPORT DATE]

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? – No

Significant deficiencies identified? – None reported

Noncompliance material to financial statements noted? – No

Federal awards

Internal control over major programs

Material weakness(es) identified? – No

Significant deficiencies identified? – None reported

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

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

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

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

Auditee qualified as low-risk auditee? – Yes

SECTION II – FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None