

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**
Alhambra, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2022



**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**

TABLE OF CONTENTS

June 30, 2022

	<u>Page Number</u>
Independent Auditors' Report	1
 FINANCIAL SECTION	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	9
Notes to the Financial Statements	10
 REQUIRED SUPPLEMENTARY INFORMATION SECTION	
Schedule of Expenditures of Federal Awards	20
 OTHER REPORTS SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	22
Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance With the Uniform Guidance	24
 FINDINGS AND QUESTIONED COSTS SECTION	
Schedule of Findings and Questioned Costs	28
Summary Schedule of Prior Audit Findings	29

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eastern Los Angeles Regional Center
for the Developmentally Disabled, Inc.
Alhambra, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. (the Center), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards issued by the Comptroller General of the United States*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management 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, 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 Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

INDEPENDENT AUDITORS' REPORT

(Continued)

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 auditor's 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 GAAS 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 GAAS, 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 Center'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 Center'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 February 14, 2023, on our consideration of the Center'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 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 Center's internal control over financial reporting and compliance.

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
February 14, 2023

FINANCIAL SECTION

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**
STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Cash and cash equivalents	\$ 25,855,747
Cash - client trust funds	1,135,129
Receivable - State Regional Center contracts	95,251,343
Receivable - Intermediate Care Facility providers	355,535
Prepaid expenses	328,094
Other assets	378,032
Due from State - accrued vacation and other leave benefits	2,039,921
Due from State - deferred rent	1,807,752

TOTAL ASSETS \$ 127,151,553

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 37,965,782
Advance - State Regional Center contracts	83,420,945
Accrued and other liabilities	745,972
Accrued vacation and other leave benefits	2,039,921
Deferred rent	1,807,752
Unexpended client support	1,135,129

Total Liabilities 127,115,501

Net Assets

Without donor restriction	36,052
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Total Net Assets 36,052

TOTAL LIABILITIES AND NET ASSETS \$ 127,151,553

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

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**
STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

SUPPORT AND REVENUE

State Regional Center contracts	\$ 305,976,931
ICF supplemental services	769,168
ICF administrative fees	12,801
Interest	4,940
Contributions and other	291,505

TOTAL SUPPORT AND REVENUE 307,055,345

EXPENSES

Program Services

Intake	2,091,788
Case management	20,313,651
Program development	2,120,108
Other client services	7,449,945
Living out of own home	69,527,546
Medical and dental	6,401,320
Day program	54,006,918
Camp and respite	31,415,953
Other purchased services	109,658,950

Total Program Services 302,986,179

Supporting Services

Management and general	4,074,265
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Total Supporting Services 4,074,265

TOTAL EXPENSES 307,060,444

Changes in Net Assets (5,099)

Net Assets - Beginning of Year 41,151

Net Assets - End of Year \$ 36,052

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

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022	Program Services							Balance Forward
	Intake	Case Management	Program Development	Other Client Services	Living Out of Own Home	Medical and Dental		
Salaries and Related Expenses								
Salaries	\$ 1,319,763	\$ 12,997,935	\$ 1,196,444	\$ 4,931,962	\$ -	\$ -	\$ -	\$ 20,446,104
Employee health and other benefits	113,180	1,373,113	98,487	523,364	-	-	-	2,108,144
Retirement benefits	111,195	1,005,789	87,118	345,613	-	-	-	22,554,248
Payroll taxes	93,226	988,063	91,725	361,259	-	-	-	1,534,273
Total Salaries and Related Expenses	1,637,364	16,364,900	1,473,774	6,162,198	-	-	-	46,642,769
Purchase of services	-	-	-	-	69,527,546	6,401,320	-	75,928,866
Equipment rental	360	11,579	424	997	-	-	-	13,360
Equipment maintenance	4,621	10,838	711	1,837	-	-	-	18,007
Facility rent	175,285	2,173,159	242,006	526,705	-	-	-	3,117,155
Communications	9,491	171,931	13,389	27,474	-	-	-	222,285
Information technology	26,566	497,122	46,794	520,811	-	-	-	1,091,293
General office expense	10,705	115,413	12,237	39,322	-	-	-	177,677
Postage	1,143	48,373	1,712	3,672	-	-	-	54,900
Printing	5,895	3,462	22,147	13,915	-	-	-	45,419
Insurance	4,159	59,181	-	13,436	-	-	-	76,776
Legal fees	42,298	406,437	120,505	85,861	-	-	-	655,101
Board expenses	-	-	-	-	-	-	-	-
Equipment purchases	-	223,584	23,125	11,027	-	-	-	257,736
Consultant fees	150,322	70,293	25,715	661	-	-	-	246,991
Staff travel	507	18,501	340	174	-	-	-	19,522
General expenses	16,629	49,428	127,092	31,469	-	-	-	224,618
ARCA dues	3,066	43,627	4,952	-	-	-	-	51,645
Accounting fees	3,377	45,823	5,185	10,386	-	-	-	64,771
Total	\$ 2,091,788	\$ 20,313,651	\$ 2,120,108	\$ 7,449,945	\$ 69,527,546	\$ 6,401,320	\$ -	\$ 128,908,891

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

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**
STATEMENT OF FUNCTIONAL EXPENSES
(Continued)

Year Ended June 30, 2022	Program Services					Supporting Services		Total Expenses
	Balance Brought Forward	Day Program	Camps and Respite	Other Purchased Services	Total Program Services	Management and General		
Salaries and Related Expenses								
Salaries	\$ 20,446,104	\$ -	\$ -	\$ -	\$ 20,446,104	\$ 1,673,745	\$	\$ 22,119,849
Employee health and other benefits	2,108,144	-	-	-	2,108,144	147,282		2,255,426
Retirement benefits	22,554,248	-	-	-	1,549,715	139,478		1,689,193
Payroll taxes	1,534,273	-	-	-	1,534,273	115,294		1,649,567
Total Salaries and Related Expenses	46,642,769	-	-	-	25,638,236	2,075,799		27,714,035
Purchase of services	75,928,866	54,006,918	31,415,953	109,658,950	271,010,687	-		271,010,687
Equipment rental	13,360	-	-	-	13,360	720		14,080
Equipment maintenance	18,007	-	-	-	18,007	74,488		92,495
Facility rent	3,117,155	-	-	-	3,117,155	395,631		3,512,786
Communications	222,285	-	-	-	222,285	20,616		242,901
Information technology	1,091,293	-	-	-	1,091,293	-		1,091,293
General office expense	177,677	-	-	-	177,677	313,349		491,026
Postage	54,900	-	-	-	54,900	2,899		57,799
Printing	45,419	-	-	-	45,419	2,678		48,097
Insurance	76,776	-	-	-	76,776	89,173		165,949
Legal fees	655,101	-	-	-	655,101	130,915		786,016
Board expenses	-	-	-	-	-	-		-
Equipment purchases	257,736	-	-	-	257,736	202,384		460,120
Consultant fees	246,991	-	-	-	246,991	280,338		527,329
Staff travel	19,522	-	-	-	19,522	569		20,091
General expenses	224,618	-	-	-	224,618	463,526		688,144
ARCA dues	51,645	-	-	-	51,645	16,744		68,389
Accounting fees	64,771	-	-	-	64,771	4,436		69,207
Total	\$ 128,908,891	\$ 54,006,918	\$ 31,415,953	\$ 109,658,950	\$ 302,986,179	\$ 4,074,265	\$	\$ 307,060,444

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

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**
STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$	(5,099)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Receivable - State Regional Center contracts		(21,417,157)
Receivable - Intermediate Care Facility providers		23,101
Prepaid expenses		165,624
Other assets		(101,578)
Increase (decrease) in:		
Accounts payable		4,756,585
Advance - State Regional Center contracts		22,954,040
Accrued and other liabilities		133,945
Deferred revenue		(242,591)
Unexpended client support		(393,892)
Cash Provided By Operating Activities		5,872,978
Increase in Cash		5,872,978
Cash - Beginning of Year		21,117,898
Cash - End of Year	\$	26,990,876

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Components of Cash and Cash Equivalents

Cash and cash equivalents	\$	25,855,747
Cash - client trust funds		1,135,129
Total	\$	26,990,876

SCHEDULE OF NONCASH

Increase in Due from State - accrued vacation and other leave benefits	\$	(108,488)
Decrease in Due from State - deferred rent		271,279
Increase in accrued vacation and other leave benefits		108,488
Decrease in deferred rent		(271,279)
Total	\$	-

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

Eastern Los Angeles Regional Center For The Developmentally Disabled, Inc.

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. (the Center), doing business as Eastern Los Angeles Regional Center, was incorporated on February 20, 1986, as a California nonprofit corporation. The Center 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. In accordance with the Lanterman Act, the Center provides diagnostic evaluations, client program management and lifelong planning services for person with developmental disabilities and their families. The areas served include the Los Angeles County Health Districts of Northeast Los Angeles, East Los Angeles, Alhambra, and Whittier.

The Act includes governance provisions regarding the composition of the Center's Board of Trustees (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 Center purchases client services, shall serve as a member of the regional center board. To comply with the Act, the Center's Board includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Center and a client service provider of the Center.

Basis of Accounting The accompanying financial statements have been prepared on the accrual basis of accounting. The Center is reimbursed by the State for expenses incurred in operating the Center to the extent that the expenses are not covered by client support funds. Revenue is recognized when earned and expenses are recognized when the obligation is incurred. Reimbursement from the State are considered earned when a qualifying expense is incurred.

Financial Statement Presentation The Center'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 Center 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:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. As of June 30, 2022, the Center had \$36,052 of net assets without donor 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. 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 statement of activities as net assets released from restrictions.

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized. As of June 30, 2022, the Center had \$0 net assets with donor restriction.

Cash and Cash Equivalents For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. In accordance with the State Regional Center contracts, bank accounts are in the name of both DDS and the Center.

Significant Concentrations of Credit Risk The Center 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, 2022, cash exceeded federally insured limits by \$27,483,052. The Center has not experienced any loss and management believes it is not exposed to any significant credit risk on such accounts.

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

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

Receivable - Intermediate Care Facility Providers During the year ended June 30, 2011, various legislative changes were made to the *California Welfare and Institutions Code* retroactively to July 1, 2007, making Intermediate Care Facility (ICF) providers responsible for providing consumer day treatment and transportation services, and ultimately, making such services eligible for reimbursement under California's Home and Community Based Services (HCBS) Program, which is funded by the Medicaid Waiver grant (Medicaid). Previously, such services were not reimbursable by Medicaid because the funds were not directly billed and received by the ICFs. The legislative changes allow for DDS to bill these services to Medicaid and capture federal dollars.

Effective July 1, 2012, the Center began billing the ICFs directly for monthly consumer day treatment and transportation services. The State does not reimburse the Center for these costs and they are billed direct to and are collected from the ICFs. The Center receives a 1.5% administrative fee based on the funds received to cover the additional workload.

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

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Federal Grants The Center received two federal grants as of June 30, 2022, as follows:

U.S. Department of Education: The Center is a sub-recipient to State of California DDS with regard to the Special Education Grants for Infants and Families, which provides funding for early intervention services for infants and toddlers, through age 3, as authorized by Public Law 102-119. Revenue received from this program was \$1,772,870 for the year ended June 30, 2022, and is included in State Regional Center contracts revenue on the statement of activities.

U.S. Department of Health and Human Services: The Center is a recipient of the CARES Act Provider Relief Fund made available to providers of health care services and supports, including agencies serving people with developmental disabilities. Allowable expenses under the Provider Relief Fund must be used to prevent, prepare for and respond to coronavirus (COVID-19), and for related expenses or lost revenues attributable to COVID-19. Funding cannot be used where another source has reimbursed or is obligated to reimburse these expenses or losses. Revenue received from this program was \$242,591 for the years ended June 30, 2022 and is included in contributions and other revenue on the statement of activities.

Equipment Purchases In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Center 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 Center and owned by the State at June 30, 2022, was \$1,500,902. This balance includes only the equipment that exceeds \$5,000 as required by System Award Management (SAM) guidelines.

Accrued Vacation and Other Employee Benefits The Center has accrued a liability for leave benefits earned. However, such benefits are reimbursed under the state contract only when actually paid. The Center has also recorded a receivable from the State for the accrued leave benefits to reflect the future reimbursement of such benefits.

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

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

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Revenue Concentration State Regional Center contract revenue is revenue received from the State in accordance with the Lanterman Act. 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 \$83,420,945 that have not been recognized in revenue at June 30, 2022, because qualifying expenditures have not yet been incurred, with an advance payment of \$83,420,945 recognized in the statement of financial position as advance – State Regional Center contracts.

Allocation of Expenses The statement of functional expenses allocates expenses for all funds to the program and supporting service categories based on a direct cost basis for purchase of services and salaries and related expenses. Operating expenses are allocated based on a percentage of salaries and related expenses per category to total salaries and related expenses, except for certain expenses that are designated as program or supporting services.

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.

Income Taxes The Center 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 Center 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 Center 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 Center 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 Center'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, 2022, and the Center does not expect this to change significantly over the next 12 months.

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Recently Issued Accounting Pronouncements In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. In May 2020, the FASB issued ASU 2020-05, which delayed the effective date for this standard to annual reporting periods beginning after December 15, 2021. Management is currently evaluating the impact of this standard on its financial statements.

Subsequent Events Management has evaluated subsequent events through February 14, 2023, the date on which the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

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

June 30, 2022

Cash and cash equivalents	\$ 25,855,747
Receivable - State Regional Center contracts	95,251,343
Less: Advance - State Regional Center contracts	(83,420,945)
Receivable - Intermediate Care Facility providers	355,535
Total	\$ 38,041,680

According to the Center's contract with DDS, the State and the regional centers collaborate 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.

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, approximately ninety-nine percent (99%) of the enacted budget for operations and 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 to allocate funds among regional centers. In the event that DDS determines that a regional center has insufficient funds to meet its contractual obligations, DDS shall utilize proper legislative measures to secure additional funds and provide the regional center with regulatory and statutory relief.

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

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3. CASH - CLIENT TRUST FUNDS AND UNEXPENDED CLIENT SUPPORT

The Center functions as the custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of a portion of the Center's clients. These cash balances are segregated from the operating cash accounts of the Center and are restricted for client support as reflected on the statements of financial position. Also recorded on the statements of financial position as unexpended support, which represents the net amount owed to the clients should the Center cease functioning as the custodian. Since the Center is acting as an agent in processing these transactions, no revenue or expense are reflected on the accompanying statements of activities.

The following is a summary of activity related to the client trust funds:

June 30, 2022

Unexpended Client Support - Beginning of the Year	\$ 1,529,021
Social Security and other client support received	8,385,068
Purchase of service disbursements	(8,668,491)
Change in AP/AR	(110,469)
Unexpended Client Support - End of the Year	\$ 1,135,129

4. LINE OF CREDIT

The Center had a \$28,000,000 line of credit with City National Bank, secured by an interest in all personal property and assets of the Center. Interest on the outstanding balance was payable monthly at the greater of 2.25% or 1% below the bank's prime rate, which was 4.75% at June 30, 2022, and amounted to \$0 for the year ended June 30, 2022. The line of credit expired on June 30, 2022. The Center extended their line of credit which will now expire on June 30, 2023 with the same terms. The outstanding balance at June 30, 2022, was \$0.

5. FUNDING LIMITS

The Center'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.

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Years Ended June 30	Contract Amount	Cumulative Expenses	Unexpended Balance
2022	\$ 339,298,417	\$ 298,977,461	\$ 40,320,956
2021	\$ 304,379,933	\$ 291,625,087	\$ 12,754,846
2020	\$ 279,522,337	\$ 275,418,677	\$ 4,103,660

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 contract amount.

6. OTHER PURCHASED SERVICES

June 30, 2022

Nonmedical services professional	\$ 12,891,333
Nonmedical programs	18,785,641
Homecare programs	1,303,298
Transportation	3,559,570
Prevention services	14,665,741
Other authorized services	58,235,772
Personal and incidental	217,595
Total Other Purchased Services	\$ 109,658,950

7. LEASE COMMITMENTS

The Center leases its office facilities and equipment under operating lease expiring on various dates through July 2026. The terms of these leases provide for payment of minimum annual rentals, which are adjusted annually at agreed-upon rates.

These leases generally require the Center to pay for its share of the facilities' annual direct expenses including maintenance, insurance, janitorial, and gardening expenses. The Center's share of direct expenses range between 7% - 15% for the premises.

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Future obligations on leases in effect at June 30, are as follows:

Years Ending June 30	
2023	\$ 3,698,777
2024	3,808,643
2025	3,628,829
2026	4,016,604
2027	344,432
Total	\$ 15,497,285

For the year ended June 30, 2022, total facility rent expense was \$3,512,786.

8. PENSION PLAN

The Center has a money purchase pension plan which was restated, effective April 1, 2005. The plan is available for all employees who have been continuously employed for one year and have worked at least 1,000 hours. The Center contributes 9% of a participant's eligible compensation, with no required contribution from participants. A participant vests in employer contributions at the rate of 20% for each year of service, with 100% vesting after five years. The total pension expense for the year ended June 30, 2022 was \$1,689,193.

In addition, the Center has a retirement plan pursuant to §403(b) of the *Internal Revenue Code*. Eligible participants are full-time employees who have completed one month of service. All eligible employees may make voluntary contributions by salary reduction to the plan, up to the limit allowed by law. The Center does not make a matching contribution to the §403(b) retirement plan.

9. LITIGATION CLAIMS AND CONTINGENCIES

Contingencies

The Center is dependent on continued funding provided by the DDS to operate and provide services for its clients. The Center's contract with the DDS provides funding for services under the Act. In the event that the operations of the Center 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 Center'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.

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 Center may be liable to the State for reimbursement of such costs. In the opinion of the Center's management, the effect of any disallowed costs would be immaterial to the financial statements at June 30, 2022.

Legal Proceedings

The Center 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 Center's financial position or activities.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Contract Year	Assistance Listing Number	Pass-Through Grant Number	Disbursements/ Expenditures
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)	21/22	84.181A	H181A210037	\$ 1,772,870
Total U.S. Department of Education				1,772,870
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
COVID-19 Provider Relief Fund	21/22	93.498	N/A	392,860
Total U.S. Department of Health and Human Services				392,860
Total Expenditures of Federal Awards				\$ 2,165,730

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Center under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the 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). Because this schedule presents only a selected portion of the operations of the Center, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Center.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

The Center did not elect to use the 10% de minimis method for indirect cost rate allowed under the Uniform Guidance.

OTHER REPORTS SECTION

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

To the Board of Directors
Eastern Los Angeles Regional Center
for the Developmentally Disabled, Inc.
Alhambra, 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 Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. (the Center), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2022, 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 February 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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 Center'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 financial statements. 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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
February 14, 2023

**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
Eastern Los Angeles Regional Center
for the Developmentally Disabled, Inc.
Alhambra, California

Report on Compliance for Each Major Federal Program

We have audited Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s, a California nonprofit corporation (the Center), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal programs for the year ended June 30, 2022. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, 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). 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 Center'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 Center'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 Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Report on Internal Control Over Compliance

Management of the Center 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 Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center'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

AGT CPAs & Advisors
Redding, California
February 14, 2023

FINDINGS AND QUESTIONED COSTS SECTION

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022

**SECTION I
SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Is any noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Identification of major programs:	
Assistance Listing Number 84.181A Special Education – Grants for Infants and Families with Disabilities (Part C)	
Assistance Listing Number 93.498 COVID-19 Provider Relief Fund	
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT**

None

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

None

**Eastern Los Angeles Regional Center
For The Developmentally Disabled, Inc.**
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2022

None