

**EASTERN LOS ANGELES REGIONAL CENTER FOR THE
DEVELOPMENTALLY DISABLED, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**



**WINDES & McCLAUGHRY
ACCOUNTANCY CORPORATION**
Certified Public Accountants & Consultants

EXCEEDING EXPECTATIONS SINCE 1926

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Landmark Square
111 West Ocean Boulevard
Twenty-Second Floor
Long Beach, CA 90802

Mailing Address:
Post Office Box 87
Long Beach, CA 90801-0087

T: (562) 435-1191
F: (562) 495-1665

www.windes.com

Other Offices:
Irvine
Los Angeles
Torrance

INDEPENDENT AUDITORS' REPORT

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

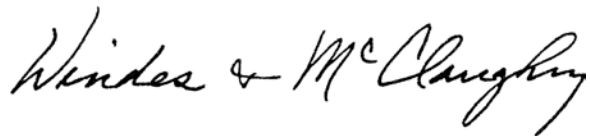
We have audited the accompanying statements of financial position of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. (a California nonprofit corporation) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011 on our consideration of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script, reading "Winder & McCaughey".

Long Beach, California
December 6, 2011

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 8,124,325	\$ 1,155,954
Cash – client trust funds	832,978	818,850
Contracts receivable – state of California	5,643,203	12,315,502
Other receivables	265,523	272,924
Prepaid expenses	176,126	181,845
Due from state – accrued leave benefits	1,129,564	1,139,749
Deposits	78,868	78,868
TOTAL ASSETS	\$ 16,250,587	\$ 15,963,692
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 14,448,400	\$ 14,188,478
Accrued leave benefits	1,129,564	1,139,749
Unexpended client support	628,066	588,429
	16,206,030	15,916,656
COMMITMENTS AND CONTINGENCIES (Notes 5 and 6)		
NET ASSETS		
Unrestricted	44,557	47,036
TOTAL LIABILITIES AND NET ASSETS	\$ 16,250,587	\$ 15,963,692

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

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

STATEMENTS OF ACTIVITIES

	For the Year Ended June 30,	
	<u>2011</u>	<u>2010</u>
CHANGE IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contracts	\$ 149,781,766	\$ 144,043,949
Interest income	46,208	80,036
Donations	808	2,720
Other income	<u>60,731</u>	<u>44,664</u>
Total Support and Revenue	<u>149,889,513</u>	<u>144,171,369</u>
EXPENSES		
Program services		
Intake	1,241,414	1,304,269
Case management	9,660,814	9,391,858
Program development	1,151,282	1,197,179
Other client services	2,808,797	2,085,739
Living out of own home	20,238,300	19,981,513
Medical and dental	2,707,252	2,876,658
Day program	30,917,434	29,961,388
Camps and respite	10,339,114	10,449,577
Other purchased services	<u>66,644,831</u>	<u>62,196,172</u>
Total Program Services	<u>145,709,238</u>	<u>139,444,353</u>
Supporting Services		
General and administrative	<u>4,182,754</u>	<u>4,727,548</u>
Total Expenses	<u>149,891,992</u>	<u>144,171,901</u>
CHANGE IN NET ASSETS	(2,479)	(532)
NET ASSETS AT BEGINNING OF YEAR	<u>47,036</u>	<u>47,568</u>
NET ASSETS AT END OF YEAR	<u>\$ 44,557</u>	<u>\$ 47,036</u>

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
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Program Services</u>				<u>Living Out of Own Home</u>
	<u>Intake</u>	<u>Case Management</u>	<u>Program Development</u>	<u>Other Client Services</u>	
Salaries	\$ 621,803	\$ 6,164,985	\$ 739,346	\$ 1,554,888	
Employee health and other benefits	55,736	649,947	65,830	147,565	
Retirement benefits	49,550	496,783	71,089	125,763	
Payroll taxes	<u>46,861</u>	<u>498,149</u>	<u>59,085</u>	<u>123,115</u>	
Total Salaries and Related Expenses	773,950	7,809,864	935,350	1,951,331	
Purchase of services					\$ 20,238,300
Equipment rental	332	3,295	395	831	
Equipment maintenance	4,522	44,829	5,376	11,307	
Facility rent and maintenance	119,675	1,186,542	142,298	299,261	
Communications	6,221	61,677	7,397	15,556	
Information technology	5,084	50,404	6,045	12,712	
General office expense	11,004	109,098	13,084	27,516	
Postage	3,902	38,690	4,640	9,758	
Printing	1,638	16,241	1,948	4,096	
Insurance	4,341	43,043	5,162	10,856	
Legal fees	4,348	43,106	5,170	10,872	
Board expenses	76	752	90	190	
Equipment purchases	5,014	49,714	5,962	12,538	
Consultant fees	286,793			389,107	
Staff travel	73	60,380	1,194	13,556	
ARCA dues	2,653	26,305	3,155	6,634	
General expenses	6,300	62,459	7,490	18,951	
Accounting fees	3,759	37,269	4,470	9,400	
Interest expense	<u>1,729</u>	<u>17,146</u>	<u>2,056</u>	<u>4,325</u>	
TOTAL EXPENSES	<u>\$ 1,241,414</u>	<u>\$ 9,660,814</u>	<u>\$ 1,151,282</u>	<u>\$ 2,808,797</u>	<u>\$ 20,238,300</u>

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

<u>Medical and Dental</u>	<u>Day Program</u>	<u>Camps and Respite</u>	<u>Other Purchased Services</u>	<u>Total Program Services</u>	<u>Supporting Services General and Admin- istrative</u>	<u>Total Expenses</u>
				\$ 9,081,022	\$ 2,622,306	\$ 11,703,328
				919,078	312,582	1,231,660
				743,185	222,172	965,357
				<u>727,210</u>	<u>205,217</u>	<u>932,427</u>
				11,470,495	3,362,277	14,832,772
\$ 2,707,252	\$ 30,917,434	\$ 10,339,114	\$ 66,644,831	130,846,931		130,846,931
				4,853	1,402	6,255
				66,034	19,068	85,102
				1,747,776	504,701	2,252,477
				90,851	26,234	117,085
				74,245	21,439	95,684
				160,702	46,405	207,107
				56,990	16,457	73,447
				23,923	6,908	30,831
				63,402	18,308	81,710
				63,496	18,335	81,831
				1,108	320	1,428
				73,228	21,146	94,374
				675,900	41,153	717,053
				75,203	17,698	92,901
				38,747	11,189	49,936
				95,200	26,567	121,767
				54,898	15,853	70,751
				<u>25,256</u>	<u>7,294</u>	<u>32,550</u>
<u>\$ 2,707,252</u>	<u>\$ 30,917,434</u>	<u>\$ 10,339,114</u>	<u>\$ 66,644,831</u>	<u>\$ 145,709,238</u>	<u>\$ 4,182,754</u>	<u>\$ 149,891,992</u>

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Program Services</u>				<u>Living Out of Own Home</u>
	<u>Intake</u>	<u>Case Management</u>	<u>Program Development</u>	<u>Other Client Services</u>	
Salaries	\$ 684,649	\$ 5,913,598	\$ 764,577	\$ 1,283,167	
Employee health and other benefits	58,633	608,454	61,193	118,266	
Retirement benefits	54,646	480,629	68,116	108,900	
Payroll taxes	<u>51,339</u>	<u>467,058</u>	<u>60,365</u>	<u>102,074</u>	
Total Salaries and Related Expenses	849,267	7,469,739	954,251	1,612,407	
Purchase of services					\$ 19,981,513
Equipment rental	392	3,387	438	735	
Equipment maintenance	5,067	43,766	5,659	9,496	
Facility rent and maintenance	132,415	1,143,724	147,874	248,172	
Communications	3,529	30,481	3,941	6,614	
Information technology	11,547	99,736	12,895	21,642	
General office expense	10,070	86,975	11,245	18,872	
Postage	7,032	60,735	7,853	13,178	
Printing	5,579	48,190	6,231	10,456	
Insurance	5,340	46,125	5,964	10,009	
Legal fees	8,764	75,698	9,787	16,425	
Board expenses	78	671	87	145	
Equipment purchases	13,516	116,746	15,094	25,333	
Consultant fees	238,847			55,583	
Staff travel	127	56,202	1,679	10,721	
ARCA dues	3,004	25,945	3,354	5,629	
General expenses	5,252	45,361	5,865	11,994	
Accounting fees	4,367	37,720	4,877	8,185	
Interest expense	<u>76</u>	<u>657</u>	<u>85</u>	<u>143</u>	
TOTAL EXPENSES	<u>\$ 1,304,269</u>	<u>\$ 9,391,858</u>	<u>\$ 1,197,179</u>	<u>\$ 2,085,739</u>	<u>\$ 19,981,513</u>

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

<u>Medical and Dental</u>	<u>Day Program</u>	<u>Camps and Respite</u>	<u>Other Purchased Services</u>	<u>Total Program Services</u>	<u>Supporting Services General and Admin- istrative</u>	<u>Total Expenses</u>
				\$ 8,645,991	\$ 2,735,887	\$ 11,381,878
				846,546	304,058	1,150,604
				712,291	239,760	952,051
				<u>680,836</u>	<u>210,234</u>	<u>891,070</u>
				10,885,664	3,489,939	14,375,603
\$ 2,876,658	\$ 29,961,388	\$ 10,449,577	\$ 62,196,172	125,465,308		125,465,308
				4,952	1,567	6,519
				63,988	20,248	84,236
				1,672,185	529,136	2,201,321
				44,565	14,102	58,667
				145,820	46,142	191,962
				127,162	40,239	167,401
				88,798	28,099	116,897
				70,456	22,295	92,751
				67,438	21,339	88,777
				110,674	35,021	145,695
				981	311	1,292
				170,689	54,012	224,701
				294,430	349,218	643,648
				68,729	25,136	93,865
				37,932	12,003	49,935
				68,472	20,986	89,458
				55,149	17,451	72,600
				<u>961</u>	<u>304</u>	<u>1,265</u>
<u>\$ 2,876,658</u>	<u>\$ 29,961,388</u>	<u>\$ 10,449,577</u>	<u>\$ 62,196,172</u>	<u>\$ 139,444,353</u>	<u>\$ 4,727,548</u>	<u>\$ 144,171,901</u>

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

STATEMENTS OF CASH FLOWS

	For the Year Ended	
	June 30,	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 2,479)	(\$ 532)
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Increase) decrease in:		
Cash – client trust funds	(14,128)	(57,898)
Contracts receivable – state of California	6,672,299	(8,050,628)
Other receivables	7,401	(7,508)
Prepaid expenses	5,719	46,772
Due from state – accrued leave benefits	10,185	38,941
Increase (decrease) in:		
Accounts payable and accrued expenses	259,922	287,805
Accrued leave benefits	(10,185)	(38,941)
Unexpended client support	39,637	35,763
Net Cash Provided By (Used In) Operating Activities	<u>6,968,371</u>	<u>(7,746,226)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,968,371	(7,746,226)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,155,954</u>	<u>8,902,180</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 8,124,325</u></u>	<u><u>\$ 1,155,954</u></u>

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
JUNE 30, 2011 AND 2010**

NOTE 1 – Summary of Significant Accounting Policies

Basis of Presentation

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 Act, the Center provides diagnostic evaluations, client program management and lifelong planning services for persons 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 directors. The Act states that the board shall be comprised of individuals with demonstrated interest in, or knowledge of, developmental disabilities, and other relevant characteristics, and requires that a minimum of 50 percent of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25 percent 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 Center's board of directors 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.

The Center contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for the developmentally disabled and their families. Under the terms of these contracts, funded expenditures are not to exceed \$150,523,637 and \$146,856,202 for the 2010-2011 and 2009-2010 contract years, respectively. As of June 30, 2011 and 2010, actual net expenditures under the 2010-2011 and 2009-2010 contracts were \$147,545,903 and \$143,591,824, respectively.

Financial Statement Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of June 30, 2011 and 2010, the Center had no temporarily or permanently restricted net assets.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the statements of cash flows, the Center considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

At June 30, 2011 and at various times during the year, the Center maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. Given the current economic environment and risks in the banking industry, there is risk that these deposits may not be readily available or covered by insurance.

Support and Contracts Receivable – State of California

Contracts receivable – state of California and contract support are recorded on the accrual method as related expenses are incurred.

Equipment

Pursuant to the terms of the DDS contract, equipment purchases become the property of the state and, accordingly, are charged as expenses when incurred. For the years ended June 30, 2011 and 2010, equipment purchases totaled \$94,374 and \$224,701, respectively.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Accrued Leave Benefits

The Center has accrued a liability for leave benefits earned. However, such benefits are reimbursed under the DDS contract only when actually paid. The Center has also recorded a receivable from the DDS for the accrued leave benefits to reflect the future reimbursement of such benefit payments.

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, and based on a percentage of salaries per category to total salaries for operating expenses, except for staff travel and contract consulting, which are allocated on a direct-cost basis.

Tax Status

The Center 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, respectively.

The Center recognizes the financial statement benefit of tax positions, such as a 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 Center 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 purposes is generally three and four years, respectively.

Subsequent Events

The Center's management has evaluated subsequent events from the statement of financial position date through December 6, 2011, the date the financial statements were available to be issued for the year ended June 30, 2011, and determined there are no other items to disclose.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 2 – Cash – Client Trust Funds and Unexpended Client Support

The Center functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of regional center clients. The following is a summary of operating activity not reported in the statements of activities:

	For the Year Ended	
	June 30,	
	2011	2010
Support:		
Social Security and other client support	\$ 6,468,412	\$ 5,977,035
Disbursements:		
Living out of own home	\$ 4,772,697	\$ 4,622,234
Other disbursements	1,695,715	1,354,801
	\$ 6,468,412	\$ 5,977,035

NOTE 3 – Contracts Receivable – State of California

As of June 30, 2011 and 2010, DDS had advanced the Center \$22,056,732 and \$23,443,578, respectively, under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the contracts receivable from DDS.

	June 30,	
	2011	2010
Contracts receivable	\$ 27,699,935	\$ 35,759,080
Contract advances	(22,056,732)	(23,443,578)
Net contracts receivable	\$ 5,643,203	\$ 12,315,502

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 4 – Short-Term Borrowings

The Center has a revolving note with a bank whereby it may borrow up to \$11,000,000 until June 30, 2011, and then up to \$32,000,000 on July 1, 2011 until the earlier date of October 3, 2011 or the effective date of a state of California budget with respect to the State General Fund for the fiscal year commencing July 1, 2011, then \$11,000,000 until the maturity date of June 30, 2012. Interest is payable monthly at the greater of 3.5%, or 1% below the bank's prime rate. No amount was outstanding on the revolving note as of June 30, 2011.

NOTE 5 – Pension Plan

The Center has a money purchase pension plan which has been restated, effective April 1, 2005. The plan is for all employees who have been continuously employed for one year and have worked at least 1,000 hours. The Center contributes 9% of the participants' 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 years ended June 30, 2011 and 2010 was \$965,357 and \$952,051, respectively.

NOTE 6 – Commitments and Contingencies

Commitments

The Center leases its facilities under operating leases expiring at various dates through July 1, 2016. The terms of these leases provide for payment of minimum annual rentals, which are adjusted annually for the greater of the increase in the Los Angeles/Orange County Cost of Living Index, or the increase in the Center's operating expenses. 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 ranges between 7% - 12% for the premises.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 6 – Commitments and Contingencies (Continued)

Commitments (Continued)

Future minimum rental commitments as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 1,934,705
2013	1,955,386
2014	2,002,051
2015	1,931,932
2016	1,933,742
Thereafter	<u>161,201</u>
	<u>\$ 9,919,017</u>

Total facility rental expense for the years ended June 30, 2011 and 2010 was \$2,242,784 and \$2,196,418, respectively.

Contingencies

In accordance with the terms of the DDS contract, an audit may be performed by an authorized DDS representative. Should such 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 as of June 30, 2011 and 2010, and for the years then ended.

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 Lanterman 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, including the possible suspension of the entitlement.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 6 – Commitments and Contingencies (Continued)

Contingencies (Continued)

The state of California is experiencing an unprecedented budget shortfall due to the severe national and state economic crisis. The DDS has undertaken numerous efforts to control costs throughout the system and is committed to preserving the entitlement services and supports. Reductions in regional center operations and purchase of services are expected for the 2011/2012 fiscal year as a result of cost control efforts and legislation enacted.

Legal Proceedings

The Center is involved in various claims and lawsuits arising in the normal conduct of its operations. The Center's management believes it has adequate defenses and insurance coverage for these actions and, thus, has made no provision in the financial statements for any costs relating to the settlement of such claims.

NOTE 7 – Intermediate Care Facility Billing

The Centers for Medicare and Medicaid Services (CMS) has approved federal financial participation in the funding of the day and transportation services related to the Center's ICF services retroactive to July 2007. The federal rules allow for only one provider of the ICF service, requiring all the Medicaid funding for the ICF resident to go through the applicable vendors. The Center is in the process at June 30, 2011, due to the change in funding, of collecting the funding provided under the federal program from applicable vendors retroactive to July 2007, and remitting the funds to the DDS. The Center receives a 1.5% administrative fee based on the funds received to cover the additional workload.

As of June 30, 2011, the Center's activity related to the above funding was as follows:

Total billed from vendors for years ended June 30, 2008 and 2009	<u>\$ 2,365,088</u>
Total amount due to state	\$ 2,330,136
Administrative fee	<u>34,952</u>
	<u>\$ 2,365,088</u>

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 7 – Intermediate Care Facility Billing (Continued)

During the year ended June 30, 2011, the Center collected \$102,136 from vendors, which was remitted to the state. Administrative fee income of \$2,245 was recognized in other income for the year ended June 30, 2011.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/ Pass-Through Grantor/ Grant Title</u>	<u>Federal CFDA 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			
Early Intervention Services (IDEA) Cluster:			
Special Education – Grants for Infants and Families	84.181	H181A100037	<u>\$ 1,044,025</u>

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal award activity of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. and is prepared based on state contract budget allocations. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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

We have audited the financial statements of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. (a California nonprofit corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

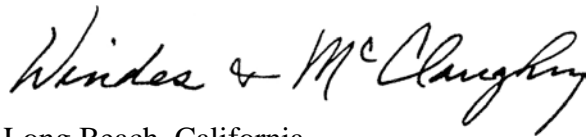
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.



Long Beach, California
December 6, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s management. Our responsibility is to express an opinion on Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'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. Our audit does not provide a legal determination of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s compliance with those requirements.

In our opinion, Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. complied, in all material respects, with the 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, 2011.

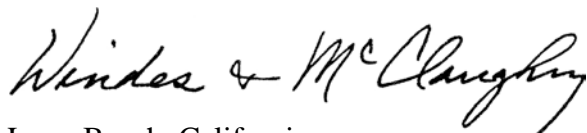
Internal Control Over Compliance

Management of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Long Beach, California
December 6, 2011

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued – Unqualified

Internal control over financial reporting

1. Material weakness(es) identified? – No
2. Significant deficiencies identified that are not considered to be material weakness(es)? – None reported
3. Noncompliance material to financial statements noted? – No

Federal awards

Internal control over major programs

1. Material weakness(es) identified? – No
2. Significant deficiencies identified that are not considered to be material weakness(es)? – None reported
3. Type of auditors’ report issued on compliance for major programs? – Unqualified
4. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? – No
5. Identification of major program: Early Intervention Services (IDEA) Cluster - Special Education – Grants for Infants and Families, CFDA #84.181
6. Dollar threshold used to distinguish between type A and type B programs was \$300,000.
7. 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