

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

**FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**



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

EXCEEDING EXPECTATIONS SINCE 1926

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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, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the 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 the 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, 2009 and 2008, 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 November 18, 2009 on our consideration of the 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 basic financial statements of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Windes & McCaughey".

Long Beach, California
November 18, 2009

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

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2009	2008
ASSETS		
Cash and cash equivalents	\$ 8,902,180	\$ 9,930,874
Cash – client trust funds	760,952	656,805
Contracts receivable – State of California	4,264,874	1,735,659
Other receivables	265,416	227,242
Prepaid expenses	228,617	169,993
Due from State – accrued leave benefits	1,178,690	1,147,935
Deposits	78,868	78,868
TOTAL ASSETS	\$ 15,679,597	\$ 13,947,376

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 13,900,673	\$ 12,298,866
Accrued leave benefits	1,178,690	1,147,935
Unexpended client support	552,666	454,428
	15,632,029	13,901,229
COMMITMENTS AND CONTINGENCIES (Notes 5 and 6)		
NET ASSETS		
Unrestricted	47,568	46,147
TOTAL LIABILITIES AND NET ASSETS	\$ 15,679,597	\$ 13,947,376

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>2009</u>	<u>2008</u>
CHANGE IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contracts	\$ 143,824,370	\$ 125,339,988
Interest income	219,214	499,779
Donations	2,420	1,890
Other income	246,273	31,700
Total Support and Revenue	<u>144,292,277</u>	<u>125,873,357</u>
EXPENSES		
Program services		
Intake	1,327,797	1,311,824
Case management	9,147,556	8,936,466
Program development	1,182,828	1,197,711
Other client services	1,936,509	1,868,570
Living out of own home	20,460,786	18,253,986
Medical and dental	3,509,238	3,644,280
Day program	30,329,581	27,725,262
Camps and respite	10,885,497	9,482,124
Other purchased services	60,771,150	48,990,033
Total Program Services	<u>139,550,942</u>	<u>121,410,256</u>
Supporting Services		
General and administrative	<u>4,739,914</u>	<u>4,462,375</u>
Total Expenses	<u>144,290,856</u>	<u>125,872,631</u>
CHANGE IN NET ASSETS	1,421	726
NET ASSETS AT BEGINNING OF YEAR	<u>46,147</u>	<u>45,421</u>
NET ASSETS AT END OF YEAR	<u>\$ 47,568</u>	<u>\$ 46,147</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, 2009**

	Program Services				Living Out of Own Home
	Intake	Case Management	Program Development	Other Client Services	
Salaries	\$ 729,404	\$ 5,955,244	\$ 778,129	\$ 1,257,466	
Employee health and other benefits	55,027	560,840	57,970	113,382	
Retirement benefits	53,138	479,156	69,127	105,481	
Payroll taxes	54,622	462,620	60,611	98,873	
Total Salaries and Related Expenses	892,191	7,457,860	965,837	1,575,202	
Purchase of services					\$ 20,460,786
Equipment rental	258	2,107	275	444	
Equipment maintenance	9,283	75,869	9,907	15,970	
Facility rent and maintenance	131,880	1,077,893	140,757	226,889	
Communications	3,869	31,625	4,130	6,657	
General office expense	17,545	143,404	18,727	30,185	
Postage	8,266	67,557	8,822	14,220	
Printing	6,285	51,368	6,708	10,813	
Insurance	6,124	50,055	6,536	10,536	
Legal fees	1,777	14,526	1,897	3,058	
Board expenses	237	1,934	253	407	
Equipment purchases	4,848	39,622	5,174	8,340	
Consultant fees	235,729				
Staff travel	175	57,489	3,849	17,041	
ARCA dues	3,201	26,153	3,415	5,505	
General expenses	2,963	24,215	3,162	5,794	
Accounting fees	2,167	17,713	2,313	3,729	
Interest expense	999	8,166	1,066	1,719	
TOTAL EXPENSES	<u>\$ 1,327,797</u>	<u>\$ 9,147,556</u>	<u>\$ 1,182,828</u>	<u>\$ 1,936,509</u>	<u>\$ 20,460,786</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>
				\$ 8,720,243	\$ 2,801,015	\$ 11,521,258
				787,219	289,792	1,077,011
				706,902	232,978	939,880
				<u>676,726</u>	<u>210,511</u>	<u>887,237</u>
				10,891,090	3,534,296	14,425,386
\$ 3,509,238	\$ 30,329,581	\$ 10,885,497	\$ 60,771,150	125,956,252		125,956,252
				3,084	991	4,075
				111,029	35,669	146,698
				1,577,419	506,766	2,084,185
				46,281	14,869	61,150
				209,861	67,421	277,282
				98,865	31,762	130,627
				75,174	24,150	99,324
				73,251	23,533	96,784
				21,258	6,829	28,087
				2,831	909	3,740
				57,984	18,628	76,612
				235,729	400,125	635,854
				78,554	38,118	116,672
				38,274	12,296	50,570
				36,134	11,385	47,519
				25,922	8,328	34,250
				<u>11,950</u>	<u>3,839</u>	<u>15,789</u>
<u>\$ 3,509,238</u>	<u>\$ 30,329,581</u>	<u>\$ 10,885,497</u>	<u>\$ 60,771,150</u>	<u>\$ 139,550,942</u>	<u>\$ 4,739,914</u>	<u>\$ 144,290,856</u>

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008**

	Program Services				Living Out of Own Home
	Intake	Case Management	Program Development	Other Client Services	
Salaries	\$ 676,479	\$ 5,757,136	\$ 776,838	\$ 1,197,536	
Employee health and other benefits	50,666	504,199	54,028	109,395	
Retirement benefits	45,836	424,770	67,391	90,944	
Payroll taxes	51,048	450,507	61,356	93,338	
Total Salaries and Related Expenses	824,029	7,136,612	959,613	1,491,213	
Purchase of services					\$ 18,253,986
Equipment rental	282	2,399	324	499	
Equipment maintenance	8,379	71,307	9,622	14,833	
Facility rent and maintenance	124,328	1,058,089	142,773	220,092	
Communications	4,338	36,920	4,982	7,680	
General office expenses	15,032	127,928	17,262	26,610	
Postage	6,662	56,694	7,650	11,793	
Printing	8,050	68,512	9,245	14,251	
Insurance	6,064	51,612	6,964	10,736	
Legal fees	1,643	13,986	1,887	2,909	
Board expenses	73	619	84	129	
Equipment purchases	16,440	139,915	18,879	29,104	
Consultant fees	283,123				
Staff travel	366	61,111	3,480	14,731	
ARCA dues	3,697	31,465	4,246	6,545	
General expenses	6,712	57,121	7,708	12,832	
Accounting fees	2,606	22,176	2,992	4,613	
TOTAL EXPENSES	<u>\$ 1,311,824</u>	<u>\$ 8,936,466</u>	<u>\$ 1,197,711</u>	<u>\$ 1,868,570</u>	<u>\$ 18,253,986</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>
				\$ 8,407,989	\$ 2,706,711	\$ 11,114,700
				718,288	254,828	973,116
				628,941	220,549	849,490
				<u>656,249</u>	<u>205,532</u>	<u>861,781</u>
				10,411,467	3,387,620	13,799,087
\$ 3,644,280	\$ 27,725,262	\$ 9,482,124	\$ 48,990,033	108,095,685		108,095,685
				3,504	1,128	4,632
				104,141	33,525	137,666
				1,545,282	497,459	2,042,741
				53,920	17,358	71,278
				186,832	60,145	246,977
				82,799	26,655	109,454
				100,058	32,211	132,269
				75,376	24,265	99,641
				20,425	6,576	27,001
				905	291	1,196
				204,338	65,781	270,119
				283,123	210,259	493,382
				79,688	47,028	126,716
				45,953	14,793	60,746
				84,373	26,855	111,228
				<u>32,387</u>	<u>10,426</u>	<u>42,813</u>
<u>\$ 3,644,280</u>	<u>\$ 27,725,262</u>	<u>\$ 9,482,124</u>	<u>\$ 48,990,033</u>	<u>\$ 121,410,256</u>	<u>\$ 4,462,375</u>	<u>\$ 125,872,631</u>

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

STATEMENTS OF CASH FLOWS

	For the Year Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,421	\$ 726
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Increase) decrease in:		
Cash – client trust funds	(104,147)	160,745
Contracts receivable – State of California	(2,529,215)	1,475,181
Other receivables	(38,174)	(4,105)
Prepaid expenses	(58,624)	106,039
Due from State – accrued leave benefits	(30,755)	(202,573)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,601,807	1,245,493
Accrued leave benefits	30,755	202,573
Unexpended client support	98,238	(180,580)
Net Cash Provided By (Used In) Operating Activities	(1,028,694)	2,803,499
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,028,694)	2,803,499
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,930,874	7,127,375
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 8,902,180	\$ 9,930,874

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, 2009 AND 2008**

NOTE 1 – Summary of Significant Accounting Policies

Basis of Presentation

Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. (the 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 \$143,309,359 and \$124,628,707 for the 2008-2009 and 2007-2008 contract years, respectively. As of June 30, 2009 and 2008, actual net expenditures under the 2008-2009 and 2007-2008 contracts were \$141,506,540 and \$124,237,070 respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Center applies Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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, 2009 and 2008, the Center had no temporarily or permanently restricted net assets.

Contributions

The Center also applies SFAS No. 116, *Accounting of Contributions Received and Contributions Made*. In accordance with SFAS No. 116, 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.

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, 2009 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Support and Contracts Receivable – State of California

Contracts receivable 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, 2009 and 2008, equipment purchases totaled \$76,612 and \$270,119, respectively.

Accrued Leave Benefits

The Center has accrued a liability for leave benefits earned in accordance with Financial Accounting Standards Board Statement No. 43, *Accounting for Compensated Absences*. 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.

New Accounting Pronouncements

Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), addresses the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 requires companies to recognize the effect of income tax positions only if those positions are more likely than not of being sustained.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

On December 30, 2008, FASB Staff Position FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, deferred the effective date of FIN 48 for certain nonpublic enterprises, including nonprofit entities, for annual financial statements for periods beginning on or after December 15, 2008. The deferral is to provide the FASB time to develop guidance on the application of FIN 48 by nonprofit entities, such as the Center. As a result, the Center has deferred the adoption of FIN 48. Management cannot determine at this time the impact, if any, FIN 48 may have on the Center's activities.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*, (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Among other things, SFAS 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. This statement did not have a material effect on the Center's financial statements. In connection with the adoption of SFAS 165, the Center has evaluated subsequent events through the date financial statements were issued for the year ended June 30, 2009.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162*, (SFAS 168). SFAS 168 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. SFAS 168 does not change GAAP and will not have a material impact on the Center's financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 – Contracts Receivable – State of California

As of June 30, 2009 and 2008, DDS had advanced the Center \$33,474,026 and \$21,910,411, 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.

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Contracts receivable	\$37,738,900	\$23,646,070
Contract advances	(33,474,026)	(21,910,411)
Net contract receivable	<u>\$ 4,264,874</u>	<u>\$ 1,735,659</u>

NOTE 3 – 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:

	<u>For the Year Ended</u>	
	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Support:		
Social Security and other client support	<u>\$ 5,956,431</u>	<u>\$ 5,222,748</u>
Disbursements:		
Living out of own home	\$ 4,628,304	\$ 4,041,263
Other disbursements	<u>1,328,127</u>	<u>1,181,485</u>
	<u>\$ 5,956,431</u>	<u>\$ 5,222,748</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 4 – 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.

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, 2009 and 2008 was \$939,880 and \$849,490, respectively.

NOTE 6 – Commitments and Contingencies

Commitments

The Center leases its facilities under operating leases expiring at various dates through June 30, 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, 2009 AND 2008**

NOTE 6 – Commitments and Contingencies (Continued)

Commitments (Continued)

Future minimum rental commitments as of June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	
2010	\$ 1,722,045
2011	1,723,657
2012	1,934,705
2013	1,955,386
2014	2,002,051
Thereafter	<u>4,026,875</u>
	<u>\$ 13,364,719</u>

Total facility rental expense for the years ended June 30, 2009 and 2008 was \$2,080,629 and \$1,825,689, 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, 2009 and 2008, and for the years then ended.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 6 – Commitments and Contingencies (Continued)

Contingencies (Continued)

The Center is dependent on continued funding provided by DDS to operate and provide services for its clients. The Center's contract with 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, DDS may reallocate surplus funds within the State of California system to supplement the Center's funding. Should a system-wide deficit occur, 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. 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.

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 2009/2010 fiscal year as a result of cost control efforts and legislation enacted in July 2009.

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 – Subsequent Events

The Center secured a revolving note with a bank whereby it may borrow up to \$25,000,000 at the greater of 3.5% or 1% below the bank's prime rate through October 1, 2009. Subsequent to year end, the maturity date of the revolving note was extended to December 1, 2009. No amount was outstanding on the revolving note as of June 30, 2009.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

<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 Health and Human Services Passed through State of California Department of Developmental Services			
Medical Assistance Program (Medicaid; Title XIX)	93.778	HD049004	<u>\$ 38,779,192</u>
U.S. Department of Education			
Passed through State of California Department of Developmental Services			
Special Education – Grants for Infants and Families with Disabilities Early Intervention Program	84.181	HD049004	2,335,504
ARRA - Special Education – Grants for Infants and Families, Recovery Act	84.393	HD049004	853,899
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	HD049004	<u>21,134</u> <u>3,210,537</u>
			<u>\$ 41,989,729</u>

Basis of Presentation

The Schedule 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. (the Center) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 18, 2009. 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 the Center'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 the Center'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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

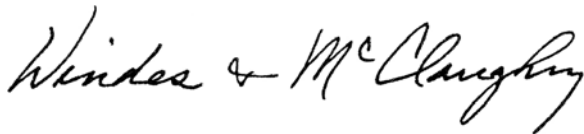
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Center in a separate letter dated November 18, 2009.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and 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.

A handwritten signature in cursive script that reads "Windes & McCaughey".

Long Beach, California
November 18, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
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 the compliance of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. (the Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Center'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 the Center's management. Our responsibility is to express an opinion on the Center'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 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. Our audit does not provide a legal determination of the Center'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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, and 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
November 18, 2009

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

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 programs: Medical Assistance Program (Medicaid; Title XIX), CFDA #93.778, and ARRA - Special Education – Grants for Infants and Families, Recovery Act, CFDA #84.393
6. Dollar threshold used to distinguish between type A and type B programs was \$1,259,692.
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