

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

**FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**



**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, 2010 and 2009, 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, 2010 and 2009, 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 January 5, 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 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  
January 5, 2011

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

**STATEMENTS OF FINANCIAL POSITION**

	<b>ASSETS</b>	
	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,155,954	\$ 8,902,180
Cash – client trust funds	818,850	760,952
Contracts receivable – state of California	12,315,502	4,264,874
Other receivables	272,924	265,416
Prepaid expenses	181,845	228,617
Due from state – accrued leave benefits	1,139,749	1,178,690
Deposits	78,868	78,868
<b>TOTAL ASSETS</b>	<b>\$ 15,963,692</b>	<b>\$ 15,679,597</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 14,188,478	\$ 13,900,673
Accrued leave benefits	1,139,749	1,178,690
Unexpended client support	588,429	552,666
	<b>15,916,656</b>	<b>15,632,029</b>
<b>COMMITMENTS AND CONTINGENCIES (Notes 5 and 6)</b>		
<b>NET ASSETS</b>		
Unrestricted	47,036	47,568
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,963,692</b>	<b>\$ 15,679,597</b>

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

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

**STATEMENTS OF ACTIVITIES**

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<u><b>2010</b></u>	<u><b>2009</b></u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Contracts	\$ 144,043,949	\$ 143,824,370
Interest income	80,036	219,214
Donations	2,720	2,420
Other income	44,664	246,273
<b>Total Support and Revenue</b>	<u>144,171,369</u>	<u>144,292,277</u>
<b>EXPENSES</b>		
Program services		
Intake	1,304,269	1,327,797
Case management	9,391,858	9,147,556
Program development	1,197,179	1,182,828
Other client services	2,085,739	1,936,509
Living out of own home	19,981,513	20,460,786
Medical and dental	2,876,658	3,509,238
Day program	29,961,388	30,329,581
Camps and respite	10,449,577	10,885,497
Other purchased services	62,196,172	60,771,150
<b>Total Program Services</b>	<u>139,444,353</u>	<u>139,550,942</u>
Supporting Services		
General and administrative	<u>4,727,548</u>	<u>4,739,914</u>
<b>Total Expenses</b>	<u>144,171,901</u>	<u>144,290,856</u>
<b>CHANGE IN NET ASSETS</b>	( 532)	1,421
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>47,568</u>	<u>46,147</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 47,036</u>	<u>\$ 47,568</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, 2010**

	<b>Program Services</b>				<b>Living Out of Own Home</b>
	<b>Intake</b>	<b>Case Management</b>	<b>Program Development</b>	<b>Other Client Services</b>	
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	51,339	467,058	60,365	102,074	
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	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	76	657	85	143	
<b>TOTAL EXPENSES</b>	<b>\$ 1,304,269</b>	<b>\$ 9,391,858</b>	<b>\$ 1,197,179</b>	<b>\$ 2,085,739</b>	<b>\$ 19,981,513</b>

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.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Program Services</b>				<b>Living Out of Own Home</b>
	<b>Intake</b>	<b>Case Management</b>	<b>Program Development</b>	<b>Other Client Services</b>	
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	
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,327,797</u></b>	<b><u>\$ 9,147,556</u></b>	<b><u>\$ 1,182,828</u></b>	<b><u>\$ 1,936,509</u></b>	<b><u>\$ 20,460,786</u></b>

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.**

**STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended June 30,</b>	
	<u><b>2010</b></u>	<u><b>2009</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	(\$ 532)	\$ 1,421
Adjustments to reconcile change in net assets to net cash used in operating activities:		
(Increase) decrease in:		
Cash – client trust funds	( 57,898)	( 104,147)
Contracts receivable – state of California	( 8,050,628)	( 2,529,215)
Other receivables	( 7,508)	( 38,174)
Prepaid expenses	46,772	( 58,624)
Due from state – accrued leave benefits	38,941	( 30,755)
Increase (decrease) in:		
Accounts payable and accrued expenses	287,805	1,601,807
Accrued leave benefits	( 38,941)	30,755
Unexpended client support	<u>35,763</u>	<u>98,238</u>
Net Cash Used In Operating Activities	<u>( 7,746,226)</u>	<u>( 1,028,694)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>( 7,746,226)</b>	<b>( 1,028,694)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u><b>8,902,180</b></u>	<u><b>9,930,874</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 1,155,954</b></u>	<u><b>\$ 8,902,180</b></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, 2010 AND 2009**

**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 \$146,897,342 and \$143,309,359 for the 2009-2010 and 2008-2009 contract years, respectively. As of June 30, 2010 and 2009, actual net expenditures under the 2009-2010 and 2008-2009 contracts were \$141,683,127 and \$142,559,836, 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, 2010 and 2009, 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, 2010 AND 2009**

**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, 2010 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.

***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, 2010 and 2009, equipment purchases totaled \$224,701 and \$76,612, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**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 January 5, 2011, the date the financial statements were available to be issued for the year ended June 30, 2010, 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, 2010 AND 2009**

**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:

	<b>For the Year Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
Support:		
Social Security and other client support	<u>\$ 5,977,035</u>	<u>\$ 5,956,431</u>
Disbursements:		
Living out of own home	\$ 4,622,234	\$ 4,628,304
Other disbursements	<u>1,354,801</u>	<u>1,328,127</u>
	<u>\$ 5,977,035</u>	<u>\$ 5,956,431</u>

**NOTE 3 – Contracts Receivable – State of California**

As of June 30, 2010 and 2009, DDS had advanced the Center \$23,443,578 and \$33,474,026, 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.

	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
Contracts receivable	\$35,759,080	\$37,738,900
Contract advances	<u>( 23,443,578)</u>	<u>( 33,474,026)</u>
Net contract receivable	<u>\$12,315,502</u>	<u>\$ 4,264,874</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**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, 2010, and then up to \$31,000,000 on July 1, 2010 until the earlier date of October 2, 2010 or the effective date of a State of California budget with respect to the State General Fund for the fiscal year commencing July 1, 2010, then \$11,000,000 until the maturity date of June 30, 2011. 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, 2010.

**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, 2010 and 2009 was \$952,051 and \$939,880, 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, 2010 AND 2009**

**NOTE 6 – Commitments and Contingencies (Continued)**

*Commitments (Continued)*

Future minimum rental commitments as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 1,723,657
2012	1,934,705
2013	1,955,386
2014	2,002,051
2015	1,931,932
Thereafter	<u>2,094,943</u>
	<u>\$ 11,642,674</u>

Total facility rental expense for the years ended June 30, 2010 and 2009 was \$2,196,418 and \$2,080,629, 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, 2010 and 2009, and for the years then ended.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 6 – Commitments and Contingencies (Continued)**

*Contingencies (Continued)*

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.

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 2010/2011 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.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/ Pass-Through Grantor/ Grant Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education</b>			
<b>Passed through State of California Department of Developmental Services</b>			
<b>Early Intervention Services (IDEA) Cluster:</b>			
Special Education – Grants for Infants and Families	84.181	H181A090037	\$ 1,074,306
Special Education – Grants for Infants and Families, Recovery Act	84.393	H393A090037A	<u>1,145,623</u>
			<u>\$ 2,219,929</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. as of and for the year ended June 30, 2010, and have issued our report thereon dated January 5, 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 Organization'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.

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

Long Beach, California  
January 5, 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, 2010. 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, 2010.

### **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  
January 5, 2011

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**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: Early Intervention Services (IDEA) Cluster - Special Education – Grants for Infants and Families, CFDA #84.181, and 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 \$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