

**PRELIMINARY DRAFT
Subject to Change
For Management Review Only**

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**FINANCIAL STATEMENTS
JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles County Developmental Services Foundation dba the Frank D. Lanterman Regional Center, a California nonprofit corporation (the Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the financial statements. The accompanying Schedules of Financial Position by Fund and Activities by Fund are also presented for the purposes of additional analysis and are 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. Such 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 noted above is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated [REPORT DATE] on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Foundation's internal control over financial reporting and compliance.

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Long Beach, California
[REPORT DATE]

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

ASSETS

Cash and cash equivalents	\$ 13,202,663
Cash and cash equivalents - client trust fund	3,405,105
Investments	1,549,774
Receivable - State Regional Center contracts	15,448,281
Receivable - Intermediate care facility providers	227,686
Other receivables	62,260
Prepaid expenses	480,688
Due from State - accrued vacation and sick leave benefits	1,416,672
Due from State - deferred rent	997,700
Deposits	<u>119,785</u>

TOTAL ASSETS **\$ 36,910,614**

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 28,619,937
Accrued salaries and payroll taxes	577,036
Accrued pension	69,923
Accrued vacation and sick leave benefits	1,416,672
Deferred revenue	111,664
Due to state - Intermediate care facility providers	3,646
Deferred rent	997,700
Unexpended client support	<u>2,757,905</u>
Total liabilities	<u>34,554,483</u>

COMMITMENTS AND CONTINGENCIES (Note 9)

NET ASSETS

Without donor restrictions	1,825,568
With donor restrictions	<u>530,563</u>
Total net assets	<u>2,356,131</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 36,910,614**

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

PRELIMINARY DRAFT
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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
State Regional Center contracts	\$ 285,555,181	\$ -	\$ 285,555,181
Intermediate Care Facility			
supplemental services income	757,183	-	757,183
CARES Act - Provider Relief Fund	213,501	-	213,501
Interest and dividend income, net of fees	36,099	1,057	37,156
Donations and grants	25	120,342	120,367
Investment income	302,606	-	302,606
Net assets released from restrictions	89,829	(89,829)	-
	<u>286,954,424</u>	<u>31,570</u>	<u>286,985,994</u>
EXPENSES			
Program Services			
Direct consumer services	283,432,838	-	283,432,838
Supporting Services:			
Management and general	<u>3,246,061</u>	<u>-</u>	<u>3,246,061</u>
	<u>286,678,899</u>	<u>-</u>	<u>286,678,899</u>
CHANGE IN NET ASSETS	275,525	31,570	307,095
NET ASSETS AT BEGINNING OF YEAR	<u>1,550,043</u>	<u>498,993</u>	<u>2,049,036</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,825,568</u>	<u>\$ 530,563</u>	<u>\$ 2,356,131</u>

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

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services	
	Direct		
	Consumer Services	Management and General	Total Expenses
SALARIES AND RELATED EXPENSES			
Salaries	\$ 14,737,954	\$ 2,009,721	\$ 16,747,675
Employee health and retirement benefits	3,623,860	494,163	4,118,023
Payroll taxes	163,368	22,278	185,646
 Total Salaries and Related Expenses	 18,525,182	 2,526,162	 21,051,344
 Purchase of services			
Living Out of Home	69,883,369	-	69,883,369
Day Program	25,556,858	-	25,556,858
Other Purchased Services	165,074,693	-	165,074,693
Facility rent	2,278,588	310,717	2,589,305
Data processing	693,769	94,605	788,374
Contract/consulting services	478,841	65,296	544,137
General office expenses	70,923	9,671	80,594
Communications	320,607	43,719	364,326
Legal fees	132,497	18,068	150,565
Insurance	183,490	25,021	208,511
Equipment purchases	69,128	9,427	78,555
Travel	4,331	591	4,922
General expenses	60,543	8,256	68,799
ARCA dues	-	68,389	68,389
Facility and equipment maintenance	68,409	9,328	77,737
Accounting fees	-	52,500	52,500
Printing	28,526	3,890	32,416
Board of Directors' expenses	3,084	421	3,505
 TOTAL EXPENSES	 <u>\$ 283,432,838</u>	 <u>\$ 3,246,061</u>	 <u>\$ 286,678,899</u>

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

PRELIMINARY DRAFT
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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	307,095
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized gain on investments		(302,606)
Reinvested interest and dividends		(15,214)
(Increase) decrease in:		
Receivable - State Regional Center contracts		(342,676)
Receivable - Intermediate care facility providers		213,050
Other receivables		(50,842)
Prepaid expenses		(164,449)
Due from state - accrued vacation and sick leave benefits		(226,332)
Due from state - deferred rent		(163,033)
Deposits		-
Increase in:		
Accounts payable		3,823,336
Accrued salaries and payroll taxes		119,703
Accrued pension		24,433
Accrued vacation and sick leave benefits		226,332
Deferred revenue		111,664
Deferred rent		163,033
Unexpended client support		1,504,722
Net Cash Provided By Operating Activities		5,228,216

NET CHANGE IN CASH AND CASH EQUIVALENTS 5,228,216

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 11,379,552

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 16,607,768

COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$	13,202,663
Cash and cash equivalents - client trust funds		3,405,105
Total Cash and Cash Equivalents	\$	16,607,768

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

Nature of Activities

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

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

The Foundation contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for individuals with developmental disabilities and their families. The Foundation's contract with the DDS totaled \$290,318,373 for the 2020-2021 contract year and are subject to budget amendments. Amounts received from the DDS contracts are recognized as revenue when the Foundation has incurred qualifying operational expenditures per the DDS contracts. Amounts received prior to incurring qualifying operational expenditures are recorded as contract advances and are included with contract receivable on the statement of financial position. As of June 30, 2021, actual net expenditures were \$281,309,884 for the 2020-2021 contract. The remaining amounts on the 2020-2021 contract year where the Foundation can be reimbursed for qualifying expenditures are approximately \$9,008,000, subject to any future budget amendments.

Basis of Accounting

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

Use of Estimates and Assumptions

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

Financial Statement Presentation

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

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Financial Statement Presentation (Continued)

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

Fund Accounting

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

Cash and Cash Equivalents

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Significant Concentrations of Credit Risk

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

Contracts Receivable - State of California

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

Receivables from Intermediate Care Facility Vendors

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

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Investments

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

Prepaid Expenses

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

Equipment Purchases

In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Foundation is required to maintain memorandum records of equipment purchases and dispositions. Equipment purchases are recorded as supporting or program service expenses when they are incurred. For the year ended June 30, 2021, equipment purchases totaled approximately \$79,000.

Vacation and Sick Leave Benefits

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

Deferred Revenue

The Foundation received advances from the CARES Act-Provider Relief Fund and recognizes revenue as the Foundation incurs qualifying expenditures. Any unspent amount is classified as deferred revenue until incurring qualifying expenditures. At June 30, 2021, the Foundation had \$111,664 of deferred revenue related to the CARES Act-Provider Relief Fund.

Deferred Rent

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

Client Trust Funds

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

Revenue Concentration

State Regional Center contract revenue is revenue received from the State in accordance with the Lanterman Act. Approximately 99% of revenue is derived from this source.

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

Contributions

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

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

Labor Concentration

Approximately 68% of the employees of the Foundation are represented by a union for collective bargaining purposes. Periodically, the collective bargaining agreement is subject to renegotiation. The current collective bargaining agreement will expire on June 5, 2022.

Income Taxes

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Income Taxes (Continued)

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

Allocation of Expenses

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

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and functional expenses. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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

Subsequent Events

The Foundation's management has evaluated subsequent events from the statement of position date through [REPORT DATE], the date the financial statements were available to be issued for the year ended June 30, 2021 and noted no other events to disclose.

NOTE 2 – Liquidity and Availability

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

Cash and cash equivalents	\$ 13,202,663
Investments	1,549,774
Receivables - State Regional Center contracts	15,448,281
Receivable - Intermediate care facility providers	<u>227,686</u>
	30,428,404
Less: Due to State - Intermediate care facility providers	(3,646)
Less: Amounts of net assets subject to restriction for spending on a specific purpose	(176,724)
Less: Endowment funds restricted in perpetuity	<u>(353,839)</u>
	<u><u>\$ 29,894,195</u></u>

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – Liquidity and Availability (Continued)

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

The Foundation maintains a line of credit (see Note 5) to manage cash flow requirements during the months of May through October as needed to cover any delays in cash advances and reimbursements over the beginning of the fiscal year.

NOTE 3 – Contract Receivable - State of California

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

As of June 30, 2021, the DDS has advanced the Foundation \$53,839,585 under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these claims have been offset against the advances from the State as follows:

Contract receivable	\$ 69,287,866
Contract advances	<u>(53,839,585)</u>
Net contract receivable	<u>\$ 15,448,281</u>

The Foundation has renewed its contract with the State for the fiscal year ending June 30, 2022. The contract provides for an initial funding of \$256,651,875.

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

The Foundation functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of Foundation clients. The cash balances are segregated from the operating cash accounts of the Foundation and are restricted for client support. The following is a summary of client support and expenses not reported in the statements of activities for the year ended June 30, 2021:

Support	
Social security and other client support	<u>\$ 12,343,857</u>
Disbursements	
Living out of own home	\$ 8,726,265
Other disbursements	<u>3,617,592</u>
Total Disbursements	<u>\$ 12,343,857</u>

NOTE 5 – Line of Credit

The Foundation has a revolving note with City National Bank whereby it could borrow up to \$28,000,000 until June 30, 2022. Interest on the outstanding balance was payable at the greater of 2.25% or 1% below the bank's prime rate. No amount was outstanding on the revolving note as of June 30, 2021.

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Subject to Change
For Management Review Only

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – Other Purchased Services

Other purchased services for the year ended June 30, 2021 consisted of the following:

Nonmedical services	\$ 36,541,597
Respite	52,761,019
Other authorized services	46,834,041
Medical care	7,053,452
Transportation	2,480,903
Prevention services	15,221,828
Camps	77,388
Medical equipment	113,181
Home care services	<u>3,859,517</u>
Subtotal - Regional Center	
Other purchased services	164,942,926
Purchased services from donation	
Special project funds	<u>131,767</u>
Total - Other Purchased Services	<u><u>\$ 165,074,693</u></u>

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – Net Assets

Net Assets Without Donor Restrictions	
Undesignated	\$ 1,825,568
Total net assets without donor restriction	<u>\$ 1,825,568</u>
Net Assets With Donor Restrictions	
Subject to Expenditures for Specified Purpose	
Client assistance	\$ 55,392
Resource center	8,362
Lanterman internship	21,735
Dental care	1,655
Infant and toddler programs	47,395
Other	42,185
	<u>176,724</u>
Restricted by Donors in Perpetuity	
Endowment funds restricted in perpetuity	<u>353,839</u>
	<u>353,839</u>
Total net Assets With Donor Restrictions	<u>\$ 530,563</u>

NOTE 8 – Endowment

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

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

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – Endowment (Continued)

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

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

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

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

Changes in endowment net assets were as follows:

<u>June 30, 2021</u>	<u>Without Donor Restrictions</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Beginning of year	\$ 879,043	\$ 352,911	\$ 1,231,954
Investment return:			
Investment income	138,925	928	139,853
Investment expense	(3,371)	-	(3,371)
Net appreciation	181,313	-	181,313
Total investment return	<u>316,867</u>	<u>928</u>	<u>317,795</u>
Contributions	<u>25</u>	<u>-</u>	<u>25</u>
End of year	<u>\$ 1,195,935</u>	<u>\$ 353,839</u>	<u>\$ 1,549,774</u>

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – Commitments and Contingencies

The Foundation is obligated under a lease agreement for its Los Angeles facility effective July 2018 through June 2028. The Foundation's facility lease provides for an annual adjustment of rental payments for a pro-rata share of the lessor's increase in operating costs and provides for a successive option to extend the term of the lease for a 60-month period.

The future minimum lease commitments, including the tenant allowance as of June 30, 2021, are payable as follows:

<u>Year Ending</u> <u>June 30,</u>	
2022	\$ 2,202,558
2023	2,398,378
2024	2,476,038
2025	2,543,993
2026	2,621,656
2027-2030	<u>5,476,302</u>
	<u>\$ 17,718,925</u>

Total rental expense, including monthly parking and storage costs, for the years ended June 30, 2021, was approximately \$2,501,000.

Contingencies

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

In accordance with the terms of the DDS contract, an audit may be performed by an authorized state representative. Should such an audit disclose any unallowable costs, the Foundation may be liable to the state for reimbursement of such costs. In the opinion of the Foundation's management, the effect of any disallowed costs would be immaterial to the financial statements at June 30, 2021.

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – Commitments and Contingencies (Continued)

Legal Proceedings

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

Business Risks Associated with the Impact of COVID-19

The Foundation's operations has been affected by the continuing COVID-19 pandemic, which was declared by the World Health Organization in March 2020. The ultimate disruption caused by the outbreak continued to be uncertain with possible effects that could have an impact on the Foundation's financial position and operating results. There is significant uncertainty as to the severity and longevity of the pandemic and management continues to evaluate the impact on the business and its financial statements.

NOTE 10 – Pension Plan

The Foundation has a profit-sharing pension plan which covers all employees. Contributions to the plan are based upon a percentage of each participant's compensation. Contributions to the plan are fully vested. Total pension expense for the years ended June 30, 2021 was approximately \$1,728,000.

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Identification Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education Passed through State of California Department of Developmental Services			
Special Education – Grants for Infants and Families	84.181A	H181A190037	<u>\$ 3,085,221</u>

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Los Angeles County Developmental Services Foundation under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Los Angeles County Developmental Services Foundation for the Developmentally Disabled, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Los Angeles County Developmental Services Foundation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2021

ASSETS	Regional Center	Client Trust Funds	Endowment Fund	Donation Funds	Special Project Funds	Total
ASSETS						
Cash and cash equivalents	\$ 12,396,306	\$ -	\$ -	\$ 140,560	\$ 665,797	\$ 13,202,663
Cash and cash equivalents - client trust fund	-	3,405,105	-	-	-	3,405,105
Investments	-	-	1,549,774	-	-	1,549,774
Receivable - State Regional Center contracts	15,448,281	-	-	-	-	15,448,281
Receivable - Intermediate care facility providers	227,686	-	-	-	-	227,686
Interfund receivable (payable)	100,079	(100,079)	-	-	-	-
Other receivables	2,844	59,416	-	-	-	62,260
Prepaid expenses	480,688	-	-	-	-	480,688
Due from State - accrued vacation leave benefits	1,416,672	-	-	-	-	1,416,672
Due from State - deferred rent	997,700	-	-	-	-	997,700
Deposits	119,785	-	-	-	-	119,785
TOTAL ASSETS	<u>\$ 31,190,041</u>	<u>\$ 3,364,442</u>	<u>\$ 1,549,774</u>	<u>\$ 140,560</u>	<u>\$ 665,797</u>	<u>\$ 36,910,614</u>
 LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 28,013,400	\$ 606,537	\$ -	\$ -	\$ -	\$ 28,619,937
Accrued salaries and payroll taxes	577,036	-	-	-	-	577,036
Accrued pension	69,923	-	-	-	-	69,923
Accrued vacation leave benefits	1,416,672	-	-	-	-	1,416,672
Deferred revenue	111,664	-	-	-	-	111,664
Due to State - Intermediate care facility providers	3,646	-	-	-	-	3,646
Deferred rent	997,700	-	-	-	-	997,700
Unexpended client support	-	2,757,905	-	-	-	2,757,905
TOTAL LIABILITIES	<u>31,190,041</u>	<u>3,364,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,554,483</u>
 NET ASSETS						
Without donor restrictions	-	-	1,195,935	-	629,633	1,825,568
With donor restrictions	-	-	353,839	140,560	36,164	530,563
TOTAL NET ASSETS	<u>-</u>	<u>-</u>	<u>1,549,774</u>	<u>140,560</u>	<u>665,797</u>	<u>2,356,131</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,190,041</u>	<u>\$ 3,364,442</u>	<u>\$ 1,549,774</u>	<u>\$ 140,560</u>	<u>\$ 665,797</u>	<u>\$ 36,910,614</u>

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LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

SCHEDULE OF ACTIVITIES BY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Regional Center</u>	<u>Endowment Fund</u>	<u>Donation Funds</u>	<u>Special Project Funds</u>	<u>Total</u>
REVENUE AND SUPPORT					
State Regional Center contracts	\$ 285,555,181	\$ -	\$ -	\$ -	\$ 285,555,181
Intermediate Care Facility supplemental services income	757,183	-	-	-	757,183
CARES Act - Provider Relief Fund	213,501	-	-	-	213,501
Interest and dividend income, net of fees	21,267	15,189	129	571	37,156
Donations and grants	-	25	120,342	-	120,367
Investment income	-	302,606	-	-	302,606
TOTAL REVENUE AND SUPPORT	<u>286,547,132</u>	<u>317,820</u>	<u>120,471</u>	<u>571</u>	<u>286,985,994</u>
EXPENSES					
Program Services					
Direct consumer services	283,301,071	-	89,829	41,938	283,432,838
Supporting Services:					
Management and general	<u>3,246,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,246,061</u>
TOTAL EXPENSES	<u>286,547,132</u>	<u>-</u>	<u>89,829</u>	<u>41,938</u>	<u>286,678,899</u>
CHANGE IN NET ASSETS	-	317,820	30,642	(41,367)	307,095
NET ASSETS, BEGINNING OF YEAR	<u>-</u>	<u>1,231,954</u>	<u>109,918</u>	<u>707,164</u>	<u>2,049,036</u>
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 1,549,774</u>	<u>\$ 140,560</u>	<u>\$ 665,797</u>	<u>\$ 2,356,131</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Los Angeles County Developmental Services Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [REPORT DATE].

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

**PRELIMINARY DRAFT
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Long Beach, California

[REPORT DATE]

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

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

Report on Compliance for Each Major Federal Program

We have audited Los Angeles County Developmental Services Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Los Angeles County Developmental Services Foundation for the Developmentally Disabled Inc.'s major federal program for the year ended June 30, 2021. Los Angeles County Developmental Services Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Los Angeles County Developmental Services Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S., *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Los Angeles County Developmental Services Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Los Angeles County Developmental Services Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Los Angeles County Developmental Services Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Los Angeles County Developmental Services Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Los Angeles County Developmental Services Foundation 's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

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

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

**PRELIMINARY DRAFT
Subject to Change
For Management Review Only**

Long Beach, California

[REPORT DATE]

LOS ANGELES COUNTY DEVELOPMENTAL SERVICES FOUNDATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? – No

Significant deficiencies identified? – None reported

Noncompliance material to financial statements noted? – No

Federal awards

Internal control over major programs

Material weakness(es) identified? – No

Significant deficiencies identified? – None reported

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

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

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

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

Auditee qualified as low-risk auditee? – Yes

SECTION II – FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None