San Andreas Regional Center

San Jose, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2021 and 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Andreas Regional Center
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of San Andreas Regional Center, a California nonprofit corporation (the Center), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 auditor considers internal control relevant to the Center'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 Center'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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INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center'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 Center's internal control over financial reporting and compliance.

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
November 15, 2021

FINANCIAL SECTION

San Andreas Regional Center

STATEMENTS OF FINANCIAL POSITION

June 30	2021	2020
ASSETS		
Cash and cash equivalents	$ 36,775,631	$ 28,630,449
Cash held for others	3,930,134	4,374,321
Cash held for CPPDD	2,181,540	2,181,135
Receivable - State Regional Center contracts	120,618,893	128,136,544
Receivable - Intermediate Care Facility providers	292,378	857,115
Client trust funds receivable	640	6,330
Due from state - accrued vacation leave benefits	2,860,231	2,661,121
Due from state - deferred rent	1,659,973	1,106,372
Due from state - unfunded defined benefit plan liability	31,498,857	29,241,485
Notes receivable	247,970	1,077,806
Other receivables	-	9,954
Prepaid expenses	464,792	733,982
Deposits	8,000	8,300
CPPDD vendor advances - lease	359,130	359,130
CPPDD vendor advances - other	163,235	163,235
TOTAL ASSETS	$ 201,061,404	$ 199,547,279
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 48,236,826	$ 43,401,839
Advance - State Regional Center contracts	110,818,731	116,722,449
Contract advances	489,505	-
Accrued and other liabilities	1,369,237	966,256
Accrued vacation leave benefits	2,860,231	2,661,121
Deferred rent	1,659,973	1,106,372
Client trust funds liability	3,930,134	4,374,321
Unfunded defined benefit plan liability	31,498,857	29,241,485
Total Liabilities	200,863,494	198,473,843
Net Assets		
Without donor restriction	-	884,955
With donor restriction	197,910	188,481
Total Net Assets	197,910	1,073,436
TOTAL LIABILITIES AND NET ASSETS	$ 201,061,404	$ 199,547,279

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

San Andreas Regional Center

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
State Regional Center contracts	$ 531,744,337	$ -	$ 531,744,337
Intermediate Care Facility supplemental services income	1,027,622	-	1,027,622
Intermediate Care Facility administrative fee	15,437	-	15,437
Interest	35,092	2	35,094
Donations and other income	25,171	11,301	36,472
Total Support and Revenue	532,847,659	11,303	532,858,962
Net assets released from restrictions	1,874	(1,874)	-
Total Support, Revenue, and Net Assets Released From Restrictions	532,849,533	9,429	532,858,962
Expenses			
Program services:			
Purchase of services	493,178,600	-	493,178,600
Other programs	218,068	-	218,068
Operating	36,469,974	-	36,469,974
General and administrative:			
Operating	3,867,846	-	3,867,846
Total Expenses	533,734,488	-	533,734,488
Changes in Net Assets From Operations	(884,955)	9,429	(875,526)
Changes in Net Assets	(884,955)	9,429	(875,526)
Net Assets - Beginning of Year	884,955	188,481	1,073,436
Net Assets - End of Year	$ -	$ 197,910	$ 197,910

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

San Andreas Regional Center
STATEMENTS OF ACTIVITIES
(Continued)

Year Ended June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
State Regional Center contracts	$ 479,014,428	$ -	$ 479,014,428
Intermediate Care Facility supplemental services income	1,624,784	-	1,624,784
Intermediate Care Facility administrative fee	23,990	-	23,990
Interest	297,476	41	297,517
Donations and other income	94,093	17,394	111,487
Total Support and Revenue	481,054,771	17,435	481,072,206
Net assets released from restrictions	10,338	(10,338)	-
Total Support, Revenue, and Net Assets Released From Restrictions	481,065,109	7,097	481,072,206
Expenses			
Program services:			
Purchase of services	440,508,542	-	440,508,542
Other programs	334,045	-	334,045
Operating	35,887,583	-	35,887,583
General and administrative:			
Operating	3,779,885	-	3,779,885
Total Expenses	480,510,055	-	480,510,055
Changes in Net Asset from Operations	555,054	7,097	562,151
Changes in Net Assets	555,054	7,097	562,151
Net Assets - Beginning of Year	329,901	181,384	511,285
Net Assets - End of Year	$ 884,955	$ 188,481	$ 1,073,436

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

San Andreas Regional Center
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021	Program Services	General and Administrative	Total
Purchase of Services			
Other purchased services	$ 235,958,685	$ -	$ 235,958,685
Residential care facilities	172,560,028	-	172,560,028
Day programs	84,659,887	-	84,659,887
Total Purchase of Services	493,178,600	-	493,178,600
Other Programs			
CPP - Agnews	171,347	-	171,347
Foster grandparent and senior companion	46,721	-	46,721
Total Other Programs	218,068	-	218,068
Operating			
Salaries	22,325,549	2,330,778	24,656,327
Benefits	8,468,412	884,099	9,352,511
Office occupancy	2,451,846	150,980	2,602,826
Equipment and facility maintenance	1,121,176	111,707	1,232,883
General	452,293	47,628	499,921
Communication	315,142	33,969	349,111
Payroll taxes	314,635	32,848	347,483
Data processing	174,593	18,819	193,412
Legal fees	165,293	17,817	183,110
Insurance	163,233	17,595	180,828
Contract and consultant fees	143,331	14,905	158,236
General office expenses	112,926	12,159	125,085
Equipment rental	93,641	10,093	103,734
ARCA dues	-	80,458	80,458
Accounting fees	-	71,100	71,100
Equipment purchases	52,900	5,702	58,602
Printing	42,177	4,546	46,723
Utilities	44,293	1,115	45,408
Staff travel	23,122	2,492	25,614
Interest expense and commitment fees	-	19,000	19,000
Donations	2,800	-	2,800
Security	2,612	-	2,612
Bank charges	-	36	36
Board expenses	-	-	-
Total Operating	36,469,974	3,867,846	40,337,820
Total Expenses	$ 529,866,642	$ 3,867,846	$ 533,734,488

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

San Andreas Regional Center

STATEMENTS OF FUNCTIONAL EXPENSES
(Continued)

Year Ended June 30, 2020	Program Services	General and Administrative	Total
Purchase of Services			
Other purchased services	$ 201,444,763	$ -	$ 201,444,763
Residential care facilities	146,122,586	-	146,122,586
Day programs	92,941,193	-	92,941,193
Total Purchase of Services	440,508,542	-	440,508,542
Other Programs			
CPP - Agnews	261,896	-	261,896
Foster grandparent and senior companion	72,149	-	72,149
Total Other Programs	334,045	-	334,045
Operating			
Salaries	21,871,348	2,228,976	24,100,324
Benefits	8,093,918	824,876	8,918,794
Office occupancy	2,262,680	176,044	2,438,724
Equipment and facility maintenance	1,266,113	109,645	1,375,758
General	511,317	40,151	551,468
Communication	400,532	40,340	440,872
Staff travel	287,244	28,930	316,174
Payroll taxes	216,772	22,092	238,864
Legal fees	180,932	18,223	199,155
Data processing	158,932	16,007	174,939
Insurance	142,391	14,341	156,732
Contract and consultant fees	112,881	11,159	124,040
General office expenses	112,226	7,576	119,802
Equipment rental	108,172	10,895	119,067
ARCA dues	-	92,527	92,527
Interest expense and commitment fees	-	79,522	79,522
Utilities	56,255	1,329	57,584
Equipment purchases	47,209	4,755	51,964
Printing	45,221	4,555	49,776
Accounting fees	-	35,900	35,900
Board expenses	-	12,028	12,028
Donations	10,264	-	10,264
Security	3,176	14	3,190
Bank charges	-	-	-
Total Operating	35,887,583	3,779,885	39,667,468
Total Expenses	$ 476,730,170	$ 3,779,885	$ 480,510,055

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

San Andreas Regional Center
STATEMENTS OF CASH FLOWS

Years Ended June 30	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (875,526)	$ 562,151
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in:		
Receivable - State Regional Center contracts	7,517,651	(9,919,270)
Receivable - Intermediate Care Facility providers	564,737	577,424
Client trust funds receivable	5,690	17,894
Other receivables	23,017	(2,174)
Prepaid expenses	269,190	(544,352)
Deposits	300	2,502
Increase (decrease) in:		
Accounts payable	4,834,987	6,460,302
Advance - State Regional Center contracts	(5,903,718)	(1,409,699)
Contract advances	489,505	-
Accrued and other liabilities	389,918	(554,434)
Client trust fund liability	(444,187)	1,931,774
Net Cash Provided (Used) By Operating Activities	6,871,564	(2,877,882)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to intermediate care facility	-	(540,274)
Note receivable collected	829,836	382,352
Net Cash Provided (Used) By Investing Activities	829,836	(157,922)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from line of credit	16,000,000	6,000,000
Payments on line of credit	(16,000,000)	(6,000,000)
Net Cash Provided (Used) By Financing Activities	-	-
Net Increase (Decrease) in Cash	7,701,400	(3,035,804)
Cash and Cash Equivalents - Beginning of Year	35,185,905	38,221,709
Cash and Cash Equivalents - End of Year	$ 42,887,305	$ 35,185,905

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

San Andreas Regional Center
STATEMENTS OF CASH FLOWS
(Continued)

Years Ended June 30		2021		2020
COMPONENTS OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	$	36,775,631	$	28,630,449
Cash held for others		3,930,134		4,374,321
Cash held for CPPDD		2,181,540		2,181,135
Total Cash and Cash Equivalents	$	42,887,305	$	35,185,905
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION				
Cash Paid for Interest	$	44,739	$	35,283
SCHEDULE OF NONCASH				
Increase in due from state - accrued vacation leave benefits	$	(199,110)	$	(385,885)
Increase in due from state - deferred rent		(553,601)		(372,515)
Increase in due from state - unfunded defined benefit plan liability		(2,257,372)		(2,543,271)
Increase in accrued vacation leave benefits		199,110		385,885
Increase in deferred rent		553,601		372,515
Increase in unfunded defined benefit plan liability		2,257,372		2,543,271
Total	$	-	$	-

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

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities San Andreas Regional Center (the Center) is a nonprofit public benefit corporation chartered by the State of California. The Center was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Lanterman Act) of the *Welfare and Institutions Code* of the State of California. In accordance with the Lanterman Act, the Center administers programs for persons with developmental disabilities and their families, which include diagnosis, counseling, educational services, and dissemination of information on developmental disabilities to the public. The Center is one of 21 regional centers within the State of California system and serves Santa Clara, Santa Cruz, Monterey, and San Benito Counties.

The Center's mission statement is as follows: People first through service, advocacy, respect, and choice; a vision for leadership in service and advocacy for individuals with developmental disabilities.

The Center operates under an annual cost-reimbursement contract with the California Department of Developmental Services (DDS) under the Lanterman Act. The maximum expenditures under the contract are limited to the contract amount plus interest earned. The Center is required to maintain accounting records in accordance with the Regional Center Fiscal Manual, issued by DDS, and is required to have DDS approval for certain expenses. In the event of termination or nonrenewal of the contract, the State of California maintains the right to assume control of the Center's operation and the obligation of its liabilities.

Basis of Accounting The accompanying financial statements have been prepared on the accrual basis of accounting. The Center is reimbursed by the State for expenses incurred in operating the Center.

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

> *Net Assets Without Donor Restrictions*: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
>
> *Net Assets With Donor Restrictions:* Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Center 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 Center 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 Center 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 Center. The accounts are in the name of both the Center and DDS, as required by DDS.

Significant Concentrations of Credit Risk Due to the unique requirements of the State and the large fluctuations in account balances the Center can have during the year, it is not feasible for the Center to diversify its cash balances among various financial institutions. Therefore, the Center maintains substantially all of its cash and temporary cash investments at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2021, cash exceeded federally insured limits by $44,089,294. At June 30, 2020, cash exceeded federally insured limits by $35,878,312. While the amount in the banks typically exceeded FDIC coverage during the year, historically the Center has not experienced any losses on such accounts. For these reasons, management believes it is not exposed to any significant credit risk on such accounts.

State Regional Center Contract Receivables and Advances Contracts receivable represent amounts due from the State for reimbursement of expenditures made by the Center under the annual regional center contracts. At June 30, 2021, the Center had a balance of $117,696,609 in Purchase of Service (POS) and operations receivables, and $2,922,284 in Community Placement Program (CPP) receivables. At June 30, 2020, the Center had a balance of $125,230,759 in POS and operations receivables, and $2,905,785 in CPP receivables. The Center considers all amounts receivable under grant contracts to be collectible; accordingly, no allowance for doubtful accounts exists.

The contract advance balance of $110,818,731 and $116,722,449 at June 30, 2021 and 2020, respectively, represents cash advances received by the Center under the annual regional center contracts. Amounts receivable from the State are offset against advances payable when the State notifies the Center that a right of offset exists.

Intermediate Care Facilities – State Plan Amendment During the year ended June 30, 2011, various legislative changes were made to the California Welfare and Institutions Code retroactive to July 1, 2007, making Intermediate Care Facility (ICF) providers responsible for providing day programs and transportation services; and ultimately, making such services eligible for reimbursement under California's Home and Community Based Services Program, which is funded by the Medicaid Waiver grant (Medicaid).

Previously, such services provided to the residents were not reimbursable by Medicaid because the funds were not directly billed and received by the ICF's. The legislative changes allow for DDS to bill these services to Medicaid and capture funds.

DDS directs the Center to prepare billings for these services on behalf of the ICF's. The billings include a 5.5% Quality Assurance fee for the State Department of Health Care Services (DHCS), a 1.5% administrative fee for the ICF's and a 1.5% administration fee for the Center.

The Center is directed to pay the ICF's directly for their services and to reduce the amount of the Center's regular state claim to DDS by the dollar amount of these services. DDS advances the amounts billed to the ICF's. The ICF's are directed to remit to the Center, within 30 days of receipt of funds from the State Controller's Office, the amount billed less its administration fee and the Quality Assurance fee, which it must remit to DHCS. The Center records the entire net amounts due from the ICF's as receivable from Intermediate Care Facilities with corresponding revenue from Intermediate Care Facilities.

The receivable from Intermediate Care Facilities reduces contract receivable from DDS. DDS has instituted protocols should the ICF's not remit the net amounts due to the Center. The receivable from Intermediate Care Facilities in the amount of $292,378 and $857,115 at June 30, 2021 and 2020, respectively, represent the amount DDS paid or will pay to the ICF's net of ICF's administrative fee and Quality Assurance fee. Revenue from Intermediate Care Facilities was $1,027,622 and $1,624,784 as of June 30, 2021 and 2020, respectively.

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

Property and Equipment In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Center is required to maintain memorandum records of equipment purchases and dispositions. Equipment purchases are recorded as supporting or program service expenses when they are incurred. The cost basis of the property utilized by the Center and owned by the state at June 30, 2021 and 2020, was $336,379 and $358,639, respectively. These balances include only the equipment that is sensitive or exceeds $5,000 as required by the State Administrative Manual (SAM) guidelines.

Vacation 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. However, while a corresponding receivable for these benefits has been recorded from the State, such benefits are reimbursed under State contracts only when benefits have actually been paid.

Sick leave benefits are accumulated for each employee. Non-union and union employees hired prior to July 1, 2016 and January 1, 2014, respectively, gain a vested right to 50% of their accumulated sick leave. The maximum accrual for non-union and union employees is 680 hours and 360 hours, respectively, for employees hired before the dates mentioned above. Union employees hired as of December 31, 2013, who accrued more than 360 hours before the January 1, 2014 cutoff date may maintain the amount above 360 as the maximum sick accrued before payout if this was achieved. All other employees hired on or after July 1, 2016 and January 1, 2014 do not gain a vested right to their accumulated sick leave. Therefore, accumulated employee sick leave benefits for employees hired before the prescribed dates are recognized as liabilities of the Center and the remaining sick leave benefits for all other employees are recorded as expenses in the period sick leave is taken.

Deferred Rent Liability The Center 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 Center has recorded a receivable from the State for the deferred rent liability to reflect the future reimbursement of the additional rent expense.

Defined Benefit Pension Plan The Center records the unfunded liability of its defined benefit pension plan with California Public Employees' Retirement System (CalPERS) on the statement of financial position. CalPERS has characteristics of a multiemployer plan. Effective for the year ended June 30, 2010, the Center uses the actuarial report coinciding with the Center's fiscal year end; however, the actuarial report is one year in arrears. The delay is due to the fact that there is a two-year lag between the Valuation Date and the Contribution Fiscal Year. This lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution rates well in advance of the start of the fiscal year. Accordingly, the actual unfunded liability may differ from the recorded amount. As of June 30, 2021, the difference cannot be reasonably determined.

Revenue Concentration State Regional Center contract revenue is revenue received from the State of California in accordance with the Lanterman Act. Approximately ninety-nine percent of revenue is derived from this source.

Labor Concentration At June 30, 2021 and 2020, approximately 82% of the employees of the Center are represented by a union for collective bargaining purposes. Periodically the collective bargaining agreement is subject to renegotiation. The most recent collective bargaining agreement expired on June 30, 2020. The Center is currently negotiating an agreement.

Revenue and Revenue Recognition The Center recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A significant portion of the Center’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as advances on the statement of financial position. The Center received cost-reimbursable grants of $111,308,236 that have not been recognized in revenue at June 30, 2021, because qualifying expenditures have not yet been incurred, with an advance payment of $110,818,731 recognized in the statement of financial position as advance - State Regional Center contracts, and $489,505 recognized in the statement of financial position as contract advances.

Federal Grants The Center received two federal grants as of June 30, 2021 and 2020, as follows:

U.S. Department of Education: The Center is a sub-recipient to State of California DDS with regard to the Special Education Grants for Infants and Families, which provides funding for early intervention services for infants and toddlers, through age 3, as authorized by Public Law 102-119.

The Corporation for National and Community Service: The Center is a sub-recipient to DDS with regard to the Foster Grandparent grant. The grant is provided to qualified agencies and organizations for the dual purpose of engaging persons 55 or older, with limited income, in volunteer services to meet critical community needs. The program strives to provide a high quality volunteer experience that will enrich the lives of the volunteers. The grant funds are used to support Foster Grandparents in providing supportive, person to person service to children with exceptional or special needs or in circumstances identified as limiting their academic, social, or emotional development.

Income Taxes The Center has received tax-exempt status under Section 501(c)(3) of the *Internal Revenue Code*, and Section 23701(d) of the *California Revenue and Taxation Code*, and has been classified as an organization that is not a private foundation under Section 509(a) of the *Internal Revenue Code*. Contributions to the Center qualify for the charitable contribution deduction. Accordingly, no provision for income taxes is included in the financial statements.

The Center accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes and how an uncertain tax position is recognized in financial statements. The Center analyzes tax positions taken in previously filed returns and tax positions expected to be taken in future returns. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. The Center's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2021 and 2020, and the Center does not expect this to change significantly over the next 12 months.

Allocation of Expenses The statements of functional expenses allocates expenses to the program and supporting service categories based on estimates of employees time incurred and on usage of resources.

Health Insurance Effective January 1, 2006, the Center committed to paying 100% of health insurance payments for employees and annuitants in accordance with the collective bargaining agreement. For the years ended June 30, 2021 and 2020, $680,803 and $636,362 of health insurance premiums were paid on behalf of the retired employees, respectively.

Use of Estimates and Assumptions The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Subsequent Events Management has evaluated subsequent events through November 15, 2021, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States. The Center continues to monitor the situation and the related business and travel restrictions and changes to behavior intended to reduce its spread, in addition to the impact on its employees. The Center continues to operate in a hybrid (both remote and in-office) environment; at this point, management believes there will be no impact on the Center's financial condition or result of operations, however, evaluation by management and the board is ongoing.

Change in Accounting Principle In May 2014 the FASB issued a new standard on revenue recognition, ASU 2014-09, Revenue from Contracts with Customers, with the intent of creating a new, principle-based revenue recognition framework. The ASU created a new topic in the FASB Accounting Standards Codification, Topic 606, in addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance.

The main provisions of the ASU were:

1. Establish a new control-based revenue recognition model.

2. Change the basis for deciding when revenue is recognized over time or at a point in time.

3. Provide new and more detailed guidance on specific topics.

4. Expand and improves disclosures about revenue.

The Center has implemented ASU 2014-09 on the retrospective basis and has adjusted the presentation of these financial statements accordingly. The ASU had no material effect on previously reported net assets.

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

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 balance sheet date, comprise the following:

June 30	2021	2020
Cash and cash equivalents	$ 42,887,305	$ 35,185,905
Less: Cash held for others	(3,930,134)	(4,374,321)
Less: Cash held for CPPDD	(2,181,540)	(2,181,135)
Receivable - State Regional Center Contracts	120,618,893	128,136,544
Less: Advance State Regional Center Contracts	(110,818,731)	(116,722,449)
Receivable - Intermediate Care Facilities	292,378	857,115
Client trust fund receivables	640	6,330
Notes receivable	247,970	1,077,806
Less: long term portion of note receivable	-	(223,446)
Total	$ 47,116,781	$ 41,762,349

According to the Center'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.

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 Center'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 Center maintains a line of credit (see Note 8) to manage cash flow requirements during the months of May through August as needed to cover any delays in cash advances and reimbursements over the beginning of the fiscal year.

3. FUNDING LIMITS

The Center’s contract is funded by the State’s General Fund and federal reimbursements. Allocated amounts are based primarily on projected client caseloads, and are subject to amendment based upon actual services provided.

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

Fiscal Years Ended	Contract Amount	Cumulative Expenses	Unexpended Balance
June 30, 2021	$ 546,504,499	$ 523,993,272	$ 22,511,227
June 30, 2020	$ 494,576,055	$ 480,946,136	$ 13,629,919
June 30, 2019	$ 451,207,810	$ 433,196,713	$ 18,011,097

Management monitors the unexpended balance annually to avoid overspending the contract limits. A majority of the unexpended balance is related to purchase of service client services and this amount could change due to delinquent billings. Management believes that total expenditures for each open year will not exceed the final approved State contract amount.

4. NOTES RECEIVABLE

Commencing on March 24, 2017, the Center agreed to loan money to Tupaz Homes LLC, a Medi-Cal service provider that provides nine homes for individuals of the Center. Loan disbursements were made weekly through October 20, 2017, on a per diem basis to the service provider for individuals served, with accrued interest at 6% deducted from the loan disbursement amount in the subsequent week. The entire balance is due when the service provider receives reimbursement payments from Medi-Cal upon the service provider’s reactivation of license.

In January 2018, the payment terms of the loan were updated to provide for payment every month starting in February 2018 of $100,000, or more if the borrower is able.

In April 2019, the payment terms were renegotiated again to provide monthly payments of $25,144 at 3% interest. The uncollateralized note receivable balance as of June 30, 2021 and 2020, was $247,970 and $537,532, respectively, of which $24,524 and $23,800, respectively, was past due. Interest earned on the note for the year ended June 30, 2021 and 2020, was $12,166 and $18,667, respectively.

Commencing on August 29, 2019, the Center agreed to loan an ICF Provider funds to cover their operating costs for a period of six months. The balance on the loan at June 30, 2021 and 2020, was $0 and $540,274, respectively. The Center earned interest on the note at a rate of 3% which amounted to $6,834 and $11,870 for the years ended June 30, 2021 and 2020, respectively.

The Center evaluates the note receivable based on the following credit quality indicators: collateral and related versus non-related borrowers. These credit quality indicators are updated at least annually.

5. COMMITMENTS

Lease Commitments

The Center leases office space in San Jose, Salinas, and Watsonville, California, and also leases various equipment. The facility leases include rent escalation clauses for insurance and real estate taxes. All leases are classified as operating leases.

The future minimum lease commitments are payable as follows:

Year Ending June 30		
2022	$	2,566,182
2023		2,625,093
2024		2,583,144
2025		2,637,948
2026		2,701,137
Thereafter		26,895,011
Total	$	40,008,515

Total facility and equipment rental costs for the years ended June 30, 2021 and 2020, were $2,706,560 and $2,557,791, respectively.

Contract Commitments

The Center pays for services in arrears, and at any given time the amount due to providers for services rendered is estimated. Unpaid commitments at June 30, 2021 and 2020, were approximately $1.7 million and $1.1 million, respectively.

6. CLIENT TRUST FUNDS

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

The Center's activities for the year consist of the following:

Years Ended June 30		2021		2020
Client Trust Fund Liability - Beginning of Year	$	4,374,321	$	2,442,547
Client support received		30,737,351		29,760,364
Subtotal		35,111,672		32,202,911
Less: Purchase of service disbursements		31,181,538		27,828,590
Client Trust Fund Liability - End of Year	$	3,930,134	$	4,374,321

7. PENSION PLAN

On August 1, 1996, the Center adopted a defined benefit pension plan covering substantially all employees by becoming a member of CalPERS. All employees are, immediately upon hire, enrolled in the pension plan. The Center; contributes to CalPERS 13.537% of the employees' gross salary. Participants are fully vested after five years of full-time service. For the year ended June 30, 2021 and 2020, $3,293,365 and $2,740,620, respectively, was paid to CalPERS.

The Public Employees' Retirement Law (Part 3 of the California Government Code, §20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

The unfunded liability measured at June 30, 2020 and 2019, which was the most current actuarial valuation available due to a one year lag in measurement reporting, was as follows:

Years Ended June 30		2020		2019
Present value of projected benefits	$	161,701,466	$	153,030,095
Less present value of future:				
Future employer normal costs		(17,208,673)		(16,789,834)
Future employee contributions		(16,840,069)		(15,856,886)
Entry Age Normal Accrued Liability		127,652,724		120,383,375
Market value of assets		(96,153,867)		(91,141,890)
Unfunded Defined Benefit Plan Liability	$	31,498,857	$	29,241,485

The reconciliation of the market value of assets over the prior year was as follows:

June 30	2020	2019
Beginning of Year	$ 91,141,890	$ 84,197,972
Contributions:		
Employer	3,732,779	3,597,410
Employee	1,639,003	1,845,330
Net investment return (net of investment expenses)	4,189,671	5,556,295
Benefit payments to retirees and beneficiaries	(4,394,112)	(3,896,369)
Refunds	(93,288)	(96,041)
Other transfers and miscellaneous adjustments	(62,076)	(62,707)
End of Year	$ 96,153,867	$ 91,141,890

The significant actuarial assumptions as of June 30, 2020 and 2019, were as follows:

June 30	2020	2019
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Asset valuation method	Market Value	Market Value
Long-term discount rate (net of investment and administrative expenses)	7.00%	7.00%
Payroll growth	2.75%	2.75%
Inflation	2.50%	2.50%
Expected long-term rate of return	7.00%	7.00%

Sensitivity of the Net Pension Liability to the Changes in the Discount Rate

The following presents the unfunded liability of the Plan, calculated using the discount rate of 7%, as well as what the unfunded liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Unfunded liability	$ 49,704,592	$ 31,498,857	$ 16,551,723

The expected payment on the unfunded liability for the year ended June 30, 2021 is $1,881,068.

The asset allocation of plan assets as of June 30, 2020 and 2019, was as follows:

June 30	2020	2019
Asset Class		
Public equity	53.0%	50.2%
Private equity	6.3%	7.1%
Global fixed income	28.3%	28.7%
Liquidity	0.9%	1.0%
Real assets	11.3%	11.0%
Inflation sensitive assets	0.0%	0.0%
Trust level	0.2%	2.0%
Total	100%	100%

The starting point and most important element of CalPERS' return on investment is the asset allocation or diversification among stocks, bonds, cash and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class. The asset allocation and market value of assets shown above reflect the values of the Public Employees' Retirement Fund (PERF) in its entirety as of June 30, 2020 and 2019. The assets for the Center are part of the PERF and are invested accordingly.

For the year ended June 30, 2021 and June 30, 2020, the actuarial computed employer and employee contribution rates are 17.486% and 7.253%, respectively.

8. LINE OF CREDIT

The Center obtained a revolving $45,000,000 line of credit with MUFG Union Bank, N.A., secured by the Center's assets, to fund current operating needs for the period from May 15, 2021 to August 15, 2021. Interest under the line of credit was charged at the bank's reference rate of 5.00%. At June 30, 2021 and 2020, the outstanding balance on the line of credit was $0. The Center does not have a line of credit as of the date of this audit report. They will begin the process to acquire a line of credit in March 2022 to cover their cash flow needs.

9. NET ASSETS

June 30		2021		2020
NET ASSETS WITHOUT DONOR RESTRICTION				
Undesignated	$	-	$	884,955
Total Net Assets Without Donor Restriction		-		884,955
NET ASSETS WITH DONOR RESTRICTION				
Subject to Expenditures for Specified Purpose				
Grants and loans to clients not covered by POS		177,346		167,917
Services and needs of former Agnews residents		20,564		20,564
Total Net Assets With Donor Restriction		197,910		188,481
Total Net Assets	$	197,910	$	1,073,436

10. COMMUNITY PROGRAM FOR PERSONS WITH DEVELOPMENTAL DISABILITIES (CPPDD)

Background

In March 2006, the Bay Area Housing Plan (BAHP) was developed by the Center, Golden Gate Regional Center, Inc. (GGRC), and Regional Center of the East Bay, Inc. (RCEB), working in collaboration under the Bay Area Unified Plan (collectively, the Regional Centers).

The BAHP was established to provide affordable, community based housing for people with developmental disabilities in the San Francisco Bay Area, through a Housing Development Agreement among the Regional Centers and a master developer (the Agreement). The BAHP meets the requirements to provide housing to people with developmental disabilities under AB 2100, as codified in Welfare and Institutions Code §4688.5.

The initial beneficiaries of the BAHP were the residents of the Agnews Developmental Center (Agnews) in San Jose as they were transitioned to community housing from Agnews due to its scheduled closure. The BAHP established the strategy and timeline for the acquisition, construction, and financing for the completion of homes for these residents. All of the residents were successfully transitioned out of Agnews.

The Regional Centers determined, in their discretion, the types, amounts, and locations of these residences. A total of 60 properties were purchased and developed by the master developer.

For the purpose of managing the Regional Centers' responsibilities under the Agreement, the Regional Centers formed a Steering Committee, which is comprised of the three Executive Directors of the Regional Centers. The Steering Committee has the authority to administer the Agreement and bind the Regional Centers to the terms and conditions of the Agreement. The Steering Committee makes all decisions by consensus where possible, but may also act by a majority vote. Notwithstanding the foregoing, if the action to be taken by the Steering Committee concerns a specific property located within a Regional Center's catchment area, the Executive Director for that Regional Center must vote in favor of such action for it to be binding on the Steering Committee.

Three non-profit organizations (NPOs) acquired fee title to the properties from the master developer. The NPOs were:

- Bay Area Housing Corporation (BAHC), which acquired 32 residences in the Center's catchment area.
- Housing Consortium of the East Bay (HCEB), which acquired 15 residences in RCEB's catchment area.
- West Bay Housing Corporation (WBHC), which acquired 13 residences in GGRC's catchment area.

Subsequently, the NPOs conveyed their ownership interests in the residencies to three single member limited liability companies (LLCs), each owned by its respective NPO. The LLCs are:

- Casa Milagro LLC, owner of 32 residences (from BAHC)
- Inclusive Communities East Bay, LLC, owner of 15 residencies (from HCEB)
- A Home for Life, LLC, owner of 13 residences (from WBHC)

The LLCs lease such properties to the Regional Centers' service providers under 60 long-term operating leases. The service providers operate the properties for the benefit of individuals who receive services from the Regional Centers.

The leases will terminate on the 17th anniversary of their commencement dates or 18 months after the date that the applicable LLC/landlord fully repays the current lender's permanent financing (discussed below).

All of the 60 properties are encumbered by Lease Assurance Covenants, Conditions and Restrictions and Memorandum of Agreement and Lease which provides, among other things, that the use of each property shall be solely for the benefit of qualified individuals with developmental disabilities in perpetuity, in compliance with the requirements in Welfare and Institutions Code §4688.5.

The master developer borrowed funds from Bank of America to acquire and develop the 60 properties. California Housing Finance Agency (CalHFA) then lent funds to the LLCs to refinance the Bank of America's loans. CalHFA's loans remained in effect until February 18, 2011, when they were paid off through the bond financing discussed below.

Bond Financing

In December 2010, the California Health and Human Services Agency (CHHSA) and DDS provided their approval for the LLCs to obtain bond financing to refinance the CalHFA loans.

In the refinance plan and thereafter, the BAHP is referred to as the Community Placement Plan for Individuals with Developmental Disabilities (CPPDD).

In the refinance plan dated February 1, 2011, the California Health Facilities Finance Agency (CHFFA) agreed to loan $76,970,000 to the LLCs through the issuance of insured revenue bonds. The Office of Statewide Health Planning and Development (OSHPD) provided loan insurance for the bonds. The bonds were issued as:

- $44,725,000 Series 2011A due at various dates, with interest rates ranging from 4.00% up to 6.25%, with the longest term bonds due on February 1, 2026.
- $32,245,000 Taxable Series 2011B due at various dates, with interest rates ranging from 3.30% up to 8.00%, with the longest term bonds due on February 1, 2026.

The Bond trustee was Deutsche Bank National Trust Company (Bond trustee) until August 23, 2013, on which day the trustee servicing was transferred to U.S. Bank National Association.

CHFFA issued the bonds to investors, and lent the proceeds from the sale of the bonds to the LLCs, on or about February 18, 2011. The loans from CHFFA to each LLC repaid the CalHFA loans in full and also covered one year of required debt reserves and other costs and expenses.

Responsibility for repayment of the loans for these bonds has been divided among the LLCs. The Loan Agreements call for monthly payments by each LLC. Each loan is secured by, among other things, deeds of trust on the residences and a pledge of the LLCs' gross revenues.

CHFFA, DDS, the Regional Centers and the LLCs all agreed that the LLCs would obtain insurance for the payment of the Bonds from the OSHPD's Cal-Mortgage Loan Insurance Division. As partial consideration for the bond insurance the Regional Centers and the LLCs entered into a Regulatory Agreement with CHFFA and OSHPD that contains financial and reporting covenants, payment obligations and use restrictions consistent with the Welfare and Institutions Code §4688.5.

As further consideration for the bond insurance the Regional Centers and the LLCs agreed to the following:

1. The Regional Centers executed a Lender Lease Assurance Agreement, whereby they unconditionally agreed, jointly and severally to pay the rent and other obligations of all service providers under all leases should the service providers fail to meet such obligations. (This is relevant, since the LLCs rely on the receipt of such rent to repay the bond financing.)
2. The Regional Centers agreed to maintain a liquidity operating fund in three separate accounts (one for each Regional Center), in the aggregate sum of $5,000,000. CHFFA and OSHPD have the right to draw on the liquidity operating fund to cure any defaults by the LLCs under the loan documents. Subject to such right, the Regional Centers' use of these funds are unrestricted; however each Regional Center must replenish any withdrawal from its liquidity operating fund necessary to maintain the required initial balance within twelve months from the date of such withdrawal. The Center's share of the liquidity operating fund is $2,181,540 and included in cash on the balance sheet. The remaining share of the fund is funded by GGRC and RCEB.
3. Both the Regional Centers and the LLCs agreed to indemnify CHFFA and OSHPD for any post foreclosure transfer environmental losses.

The Regional Centers remit payments to each service provider for the services they provide to the consumers residing in the properties. The service providers then use such funds and other funds available to them to cover their costs, including their rent under the leases. Under each lease the applicable service provider is responsible for paying both the monthly base rent (which is equal to the monthly debt service payable to the Bond trustee) and additional charges as defined in the lease, including property taxes (if applicable), insurance and a replacement reserve (which is a minimum of $2,400 a year for each property). The LLCs, in turn, use the rents they receive under the leases to repay the CHFFA loans.

In order to make all of the debt service payments equal, one additional "smooth out" payment was required to be made to the Bond trustee. The Center (and the other Regional Centers) made this payment via advances to its service providers, which were then forwarded to the Bond trustee. The service providers will repay these receivables to the Center at the end of the bond financing term, via applicable offsets that the Center will apply against funds it owes to the service providers under the Service Provider Agreements. At June 30, 2021, CPPDD vendor advances - other totaled $163,235.

Due to the timing of the bond financing, one additional debt service payment was required to be made to the Bond trustee. The Center made this payment via advances to its service providers, which was then forwarded to the Bond trustee. The service providers will repay these receivables to the Center at the end of the bond financing term, via applicable offsets that the Center will apply against funds it owes to the service providers under the Service Provider Agreements. At June 30, 2021, CPPDD vendor advances - lease totaled $359,130.

11. OTHER PURCHASED SERVICES

Other purchased services consisted of the following:

Year Ended June 30	2021	2020
Nonmedical services	$ 31,340,970	$ 28,679,738
Respite	72,287,170	45,047,307
Other authorized services	94,312,043	80,219,531
Transportation	17,809,394	25,239,880
Prevention services	125,378	120,941
Medical equipment	676,715	519,485
Medical care - professional	9,391,409	10,223,592
Medical care - program	1,131,638	1,851,208
Home care services	366,284	539,970
Camps	624	93,387
Personal and Incidental	523,954	453,922
Professional	7,993,106	8,455,802
Total Other Purchased Services	$ 235,958,685	$ 201,444,763

12. CONTINGENCIES

The majority of the Center's funding is provided under annual grants and contracts with federal and California agencies. If a significant reduction in the level of funding provided by these governmental agencies were to occur, it may have an effect on the Center's programs and activities. The Center's revenue, which is derived from funding provided by government grants and contracts, is subject to audit by the governmental agencies. In accordance with the terms of the DDS contract, an audit may be performed by an authorized DDS representative. Should such an audit disclose any unallowable costs, the Center may be liable to the State of California for reimbursement of such costs.

The Center received the final DDS audit report for the fiscal years ended June 30, 2018 and 2019, on June 23, 2021, in which DDS listed a finding regarding payments for unoccupied beds. The Center will be requesting a formal hearing on this finding with DDS as it contends that the payments were to provide safe and stable living arrangements in the community for its clients. The Center's opinion is, that its arguments are sound and although the Center recognizes there is potential for a loss in this case it feels that it is too early in the process to determine if it is probable or not.

The Center's contract with DDS provides funding for services under the Lanterman Act. In the event that the operations of the Center result in a deficit position at the end of the contract year, DDS may reallocate surplus funds within the State of California system to supplement the Center's funding. Should a system-wide deficit occur, DDS is required to report to the Governor of California and the appropriate fiscal committee of the State Legislature and recommend actions to secure additional funds or reduce expenditures. DDS 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.

13. LEGAL MATTERS

The Center is named in various claims and legal actions in the normal course of its activities. Based upon counsel and management's opinion, the outcomes of such matters are not expected to have a material adverse effect on the financial position or changes in net assets of the Center.

14. RELATED-PARTY TRANSACTIONS

California Welfare and Institutions Code, Section 4622, requires that a minimum of 50% of the Center's governing board be comprised of persons with developmental disabilities or their parents or legal guardians. Program service payments were made in the normal course of business on behalf of persons with developmental disabilities that were governing board members or were related to governing board members.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Federal Grantor/Pass-Through Grantor/Program Title	Contract Year	Pass-Through Grant Number	Federal CFDA Number		Disbursements/ Expenditures
U.S. DEPARTMENT OF EDUCATION					
Passed Through State of California					
Department of Developmental Services -					
Special Education - Grants for Infants and					
Families with Disabilities (Part C)	20/21	H181A190037	84.181A	$	874,952
Total U.S. Department of Education					874,952
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES					
Passed Through State of California					
Department of Developmental Services -					
Foster Grandparent Program	20/21	19SFPCA002	94.011		147,050
Total Corporation for National and Community Services					147,050
Total Expenditures of Federal Awards				$	1,022,002

Purpose of Schedules

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grants activity of the Center and is presented on the accrual basis of accounting as provided by the California Department of Developmental Services. The information in this schedule is presented in accordance with the requirements the Uniform Guidance, A*udits of States, Local Governments, and Non-Profit Organizations*.

Indirect Cost Rate

The Center did not elect to use the 10% de minimis method for indirect costs.

OTHER REPORTS SECTION

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

To the Board of Directors
San Andreas Regional Center
San Jose, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of San Andreas Regional Center, a California nonprofit corporation (the Center), which comprise the statement of financial position as of June 30, 2021, 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 November 15, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
November 15, 2021

CPAs & Advisors

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
San Andreas Regional Center
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited San Andreas Regional Center's, a California nonprofit corporation (the Center), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal programs for the year ended June 30, 2021. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE
(Continued)

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE
(Continued)

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

AGT CPAs & Advisors

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Redding, California
November 15, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None

None