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ALTA CALIFORNIA REGIONAL CENTER, INC.

Financial Statements

June 30, 2013 and 2012

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Alta California Regional Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Alta California Regional Center, Inc. (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, 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 audit 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alta California Regional Center, Inc. as of June 30, 2013 and 2012, 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, on our consideration of Alta California Regional Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Alta California Regional Center, Inc.'s internal control over financial reporting and compliance.

Windes

Long Beach, California
January 13, 2014

ALTA CALIFORNIA REGIONAL CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2013	June 30, 2012
ASSETS		
Cash and cash equivalents	$ 7,920,678	$ 236,531
Cash – client trust funds	13,066	29,631
Contracts receivable – state of California	13,458,898	23,541,991
Receivables from Intermediate Care Facility vendors	1,295,057	
Other receivables	490,756	378,309
Prepaid expenses	27,402	21,582
Receivable from state for accrued vacation and other leave benefits	2,127,637	1,857,084
Receivable from state for deferred rent liability	1,401,600	1,372,830
TOTAL ASSETS	$ 26,735,094	$ 27,437,958

LIABILITIES AND NET ASSETS

	June 30, 2013	June 30, 2012
LIABILITIES		
Bank overdraft		$ 399,046
Accounts payable	$ 22,897,154	23,501,355
Accrued vacation and other leave benefits	2,127,637	1,857,084
Unexpended client support	83,546	72,084
Deferred rent liability	1,401,600	1,372,830
	26,509,937	27,202,399
COMMITMENTS AND CONTINGENCIES (Notes 5 and 6)		
NET ASSETS		
Unrestricted	225,157	235,559
TOTAL LIABILITIES AND NET ASSETS	$ 26,735,094	$ 27,437,958

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

ALTA CALIFORNIA REGIONAL CENTER, INC.

STATEMENTS OF ACTIVITIES

	For the Year Ended June 30, 2013	2012
CHANGE IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contracts – state of California	$ 287,545,602	$ 287,880,505
Intermediate Care Facility supplemental services income	3,931,955	
Interest income	58,336	74,568
Donations	5,185	49,783
Other income	166,218	
Total Support and Revenue	291,707,296	288,004,856
EXPENSES		
Program Services		
Direct consumer services	287,722,918	283,258,145
Supporting Services		
General and administrative	3,994,780	4,700,974
Total Expenses	291,717,698	287,959,119
CHANGE IN NET ASSETS	(10,402)	45,737
NET ASSETS AT BEGINNING OF YEAR	235,559	189,822
NET ASSETS AT END OF YEAR	$ 225,157	$ 235,559

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

ALTA CALIFORNIA REGIONAL CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services	Supporting Services	
	Direct Consumer Services	General and Admin- istrative	Total Expenses
Salaries	$ 18,905,701	$ 2,106,503	$ 21,012,204
Employee health and retirement benefits	6,463,480	720,171	7,183,651
Payroll taxes	353,617	39,401	393,018
Total Salaries and Related Expenses	25,722,798	2,866,075	28,588,873
Purchase of services:			
Out of home	58,895,090		58,895,090
Day programs	61,453,932		61,453,932
Transportation	24,059,693		24,059,693
Respite	12,101,169		12,101,169
Other purchased services	101,672,415		101,672,415
Communication	268,921	28,996	297,917
General office expenses	319,353	66,895	386,248
Printing	15,578	1,824	17,402
Insurance	176,601	19,622	196,223
General expenses	92,090	143,418	235,508
Facility and equipment rent	1,900,132	301,496	2,201,628
Equipment and facility maintenance	256,770	24,402	281,172
Consultant fees	47,829	387,015	434,844
ARCA dues	1,213	68,385	69,598
Equipment purchases	51,511	11,631	63,142
Board expenses	2,555	6,107	8,662
Travel	530,533	9,779	540,312
Legal fees	101,702	31,466	133,168
Professional fees	27,200	24,800	52,000
Utilities	25,833	2,869	28,702
TOTAL EXPENSES	$ 287,722,918	$ 3,994,780	$ 291,717,698

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

ALTA CALIFORNIA REGIONAL CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Supporting Services	
	Direct Consumer Services	**General and Admin-istrative**	**Total Expenses**
Salaries	$ 17,766,559	$ 2,589,032	$ 20,355,591
Employee health and retirement benefits	5,892,006	858,613	6,750,619
Payroll taxes	337,520	49,185	386,705
Total Salaries and Related Expenses	23,996,085	3,496,830	27,492,915
Purchase of services:			
Out of home	58,297,218		58,297,218
Day programs	58,571,498		58,571,498
Transportation	23,090,882		23,090,882
Respite	10,593,280		10,593,280
Other purchased services	105,146,191		105,146,191
Communication	320,888	56,106	376,994
General office expenses	305,538	128,536	434,074
Printing	13,775	1,879	15,654
Insurance	164,822	18,313	183,135
General expenses	46,632	8,577	55,209
Facility and equipment rent	1,833,171	359,605	2,192,776
Equipment and facility maintenance	208,763	34,246	243,009
Consultant fees	84,476	192,109	276,585
ARCA dues	4,000	70,178	74,178
Equipment purchases		160,239	160,239
Board expenses	3,972	5,188	9,160
Travel	486,485	14,083	500,568
Legal fees	62,569	151,335	213,904
Utilities	27,900	3,750	31,650
TOTAL EXPENSES	$ 283,258,145	$ 4,700,974	$ 287,959,119

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

ALTA CALIFORNIA REGIONAL CENTER, INC.

STATEMENTS OF CASH FLOWS

	For the Year Ended June 30, 2013	For the Year Ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	($ 10,402)	$ 45,737
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Increase) decrease in:		
Cash – client trust funds	16,565	31,025
Contracts receivable – state of California	10,083,093	(20,341,626)
Receivables from Intermediate Care Facility vendors	(1,295,057)	
Other receivables	(112,447)	165,264
Prepaid expenses	(5,820)	22,566
Receivable from state for accrued vacation and other leave benefits	(270,553)	119,916
Receivable from state for deferred rent liability	(28,770)	
Increase (decrease) in:		
Accounts payable	(604,201)	(830,253)
Accrued vacation and other leave benefits	270,553	(119,916)
Unexpended client support	11,462	(27,612)
Deferred rent liability	28,770	1,372,830
Net Cash Provided By (Used In) Operating Activities	8,083,193	(19,562,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in bank overdraft	(399,046)	399,046
Net Cash Provided By (Used In) Financing Activities	(399,046)	399,046
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,684,147	(19,163,023)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	236,531	19,399,554
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,920,678	$ 236,531
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest expense	None	None
Income taxes	None	None

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

ALTA CALIFORNIA REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

NOTE 1 – Summary of Significant Accounting Policies

Basis of Presentation

Alta California Regional Center, Inc. (the Center) was incorporated on May 7, 1970 as a California nonprofit corporation. The Center was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Act) of the Welfare and Institutions Code of the State of California. In accordance with the Act, the Center provides diagnostic evaluations, client program management, and lifelong planning services for persons with developmental disabilities and their families. The areas served include Alpine, Colusa, El Dorado, Nevada, Placer, Sacramento, Sierra, Sutter, Yolo and Yuba Counties.

The Act includes governance provisions regarding the composition of the Center's board of directors. The Act states that the board shall be comprised of individuals with demonstrated interest in, or knowledge of, developmental disabilities, and other relevant characteristics, and requires that a minimum of 50% 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 Center purchases client services, shall serve as a member of the regional center board. To comply with the Act, the Center's board of directors includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Center and a client service provider of the Center.

The Center contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for the developmentally disabled and their families. Under the terms of the contract, funded expenditures are not to exceed $289,728,647 and $286,448,352 for the 2012-2013 and 2011-2012 contract years, respectively. Actual net expenditures under the 2012-2013 and 2011-2012 contracts were $286,390,478 and $286,029,065, respectively, as of June 30, 2013.

As discussed above, the Center operates under contracts with the DDS. Contract revenue is funded on a cost reimbursement basis. The net assets reported as of June 30, 2013 and 2012 on the statements of financial position are the result of private contributions which are used to provide services which are not covered under the Center's DDS contract to persons with developmental disabilities and their families.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of June 30, 2013 and 2012, the Center had no temporarily or permanently restricted net assets.

Contributions

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

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Cash and Cash Equivalents and Concentration of Credit Risk

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

At June 30, 2013 and throughout the year, the Center has maintained cash balances in its bank in excess of federally insured amounts.

Support and Contracts Receivable – State of California

Support and contracts receivable – state of California is recorded on the accrual method as related expenses are incurred.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Receivables from Intermediate Care Facility Vendors

The Centers for Medicare and Medicaid Services (CMS) has approved federal financial participation in the funding of the day and transportation services related to the Center's Intermediate Care Facility (ICF) services. The federal rules allow for only one provider of the ICF service, requiring all the Medicaid funding for the ICF resident to go through the applicable vendors. The Center receives a 1.5% administrative fee based on the funds received to cover the additional workload.

Equipment

Pursuant to the terms of the DDS contract, equipment purchases become the property of the state and, accordingly, are charged as expenses when incurred. For the years ended June 30, 2013 and 2012, equipment purchases totaled $63,142 and $160,239, respectively.

Accrued Vacation and Other Leave Benefits

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

Deferred Rent

The Center leases 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 lease. 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 recognized.

Allocation of Expenses

The statements of functional expenses allocate expenses to the program and supporting service categories based on a direct-cost basis for purchase of services and salaries and related expenses. Operating expenses are allocated to the program and supporting services based on the relative benefits received.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Tax Status

The Center has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code, respectively.

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

Subsequent Events

The Center's management has evaluated subsequent events from the statement of financial position date through January 13, 2014, the date the financial statements were available to be issued for the year ended June 30, 2013, and determined there are no other items to disclose.

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

The Center functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of regional center clients. The cash balances are segregated from the operating cash accounts of the Center and are restricted for client support. The following is a summary of operating activity not reported in the statements of activities:

	For the Year Ended June 30, 2013	For the Year Ended June 30, 2012
Support:		
Social Security and other client support	$ 137,374	$ 127,742
Disbursements:		
Living out of own home	$ 90,013	$ 119,770
Other disbursements	47,361	7,972
	$ 137,374	$ 127,742

NOTE 3 – Contracts Receivable – State of California

As of June 30, 2013 and 2012, the DDS had advanced the Center $51,256,343 and $56,002,840, respectively, under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the claims receivable from the DDS contracts as follows:

	June 30,	
	2013	2012
Contracts receivable	$ 64,715,241	$ 79,544,831
Contract advances	(51,256,343)	(56,002,840)
Net contracts receivable	$ 13,458,898	$ 23,541,991

NOTE 4 – Short-Term Borrowings

The Center established an unsecured revolving line of credit with a financial institution for $23,000,000. The line of credit matures on September 5, 2014 and interest is due monthly at LIBOR plus 2%. There were no borrowings outstanding at June 30, 2013 and 2012.

On June 1, 2013, the Center obtained a $51,500,000 secured revolving line of credit with a financial institution in order to provide funding in the event the state budget was not approved or additional funds were needed while waiting for contract billings to be processed. The line matured on October 5, 2013, and was secured by substantially all assets of the Center and carried interest at LIBOR plus 2%.

NOTE 5 – Retirement Plan

The Center contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. Substantially all of the Center's employees participate in PERS.

PERS uses the Entry Age Normal Cost Method to fund benefits. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire to the assumed retirement age.

ALTA CALIFORNIA REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

NOTE 5 – Retirement Plan (Continued)

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about six percent of unamortized gains and losses each year. Finally, if the plan's accrued liability exceeds the actuarial value of plan assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

A summary of principal actuarial assumptions used is as follows:

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	28 years as of the Valuation Date
Asset Valuation Method	15-year Smoothed Market
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of .25%

NOTE 5 – Retirement Plan (Continued)

The asset allocation shown below reflects the PERS fund in total as of June 30, 2012. The assets of the Center's plan are part of the PERS fund and are invested accordingly.

Asset Class	Current Allocation	Target Allocation
Public Equity	48.3 %	50.0
Private Equity	14.5	14.0
Fixed Income	18.2	17.0
Cash Equivalents	3.2	4.0
Real Assets	10.6	11.0
Inflation Assets	3.0	4.0
Absolute Return Strategy	2.2	0.0
	100.0 %	100.0 %

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability (UL)	Funded Ratios AVA	Funded Ratios Market Value	Annual Covered Payroll	UL as a Percentage of Payroll
06/30/09	$42,115,820	$34,631,827	$7,483,993	82.2%	59.8%	$18,345,305	40.8%
06/30/10	$46,730,997	$39,396,550	$7,334,447	84.3%	67.5%	$18,364,774	39.9%
06/30/11	$51,761,906	$43,914,920	$7,846,986	84.8%	77.3%	$18,287,117	42.9%
06/30/12	$56,309,724	$48,323,815	$7,985,909	85.8%	73.7%	$17,464,605	45.7%

Employee contributions are 7% of salaries and wages for employees hired prior to January 1, 2013 and 6.25% of salaries and wages for employees hired after January 1, 2013. The Center is required to contribute the remaining amount necessary to fund benefits for its employees, using the actuarial basis adopted by the PERS Board of Administration. Total retirement expense for the years ended June 30, 2013 and 2012 was $1,879,141 and $1,804,671, respectively.

NOTE 5 – Retirement Plan (Continued)

Other Plans

The Center has established a defined contribution retirement plan for eligible employees who elected not to participate in the PERS retirement plan. The Center deposits non-elective employer contributions currently set at 8% of the employee's annual salary. Pension costs for the years ended June 30, 2013 and 2012 were $111,565 and $106,341, respectively.

NOTE 6 – Commitments and Contingencies

Commitments

The Center is obligated under certain operating leases for office equipment, field and main office facilities. The lease terms expire in various years through 2021. The terms of the leases provide for payment of minimum annual rentals, insurance, and property taxes. In the event the DDS does not renew its annual support contract, the leases described above become cancelable by the Center.

Future minimum rental commitments are as follows:

For the Year Ending June 30,	
2014	$ 2,021,588
2015	2,121,662
2016	2,121,018
2017	1,858,496
2018	1,880,397
Thereafter	6,493,746
	$ 16,496,907

Total office equipment and facilities rental expense for the years ended June 30, 2013 and 2012 was $2,201,628 and $2,192,776, respectively.

NOTE 6 – Commitments and Contingencies (Continued)

Contingencies

In accordance with the terms of the contract with the DDS, an audit may be performed by an authorized DDS representative. Should such audit disclose any unallowable costs, the Center may be liable to the DDS for reimbursement of such costs. In the opinion of the Center's management, the effect of any disallowed costs would be immaterial to the financial statements at June 30, 2013 and 2012, and for the years then ended.

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

The Center retains approximately 70 percent of its labor force through Local 1021, Service Employees International Union. This labor force is subject to a collective bargaining agreement and, as such, renegotiation of such agreement could expose the Center to an increase in hourly costs and work stoppages. The current agreement is effective through August 31, 2014.

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

ALTA CALIFORNIA REGIONAL CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass-Through Grantor/ Grant Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
U.S. Department of Education			
Passed through State of California Department of Developmental Services			
Early Intervention Services (IDEA) Cluster:			
Special Education – Grants for Infants and Families	84.181	HD099001	$ 1,599,054
			$ 1,599,054

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Alta California Regional Center, Inc. and is presented based on state contract budget allocations. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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*

To the Board of Directors of
Alta California Regional Center, Inc.

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 Alta California Regional Center, Inc. (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2013, 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 January 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alta California Regional Center, Inc.'s internal control over financial reporting (internal control) to determine 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 Alta California Regional Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Alta California Regional Center, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Windes

Long Beach, California
January 13, 2014

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Alta California Regional Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited Alta California Regional Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Alta California Regional Center, Inc.'s major federal programs for the year ended June 30, 2013. Alta California Regional Center, Inc.'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 Alta California Regional Center, Inc.'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alta California Regional Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Alta California Regional Center, Inc. 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, 2013.

Report on Internal Control Over Compliance

Management of Alta California Regional Center, Inc. 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 Alta California Regional Center, Inc.'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 each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alta California Regional Center, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Windes

Long Beach, California
January 13, 2014

ALTA CALIFORNIA REGIONAL CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued – Unmodified

Internal control over financial reporting

1. Material weakness(es) identified? – No

2. Significant deficiencies identified? – None reported

3. Noncompliance material to financial statements noted? – No

Federal Awards

Internal control over major programs

1. Material weakness(es) identified? – No

2. Significant deficiencies identified? – None reported

3. Type of auditors' report issued on compliance for major programs? – Unmodified

4. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? – No

5. Identification of major program: Early Intervention Services (IDEA) Cluster – Special Education – Grants for Infants and Families, CFDA #84.181

6. Dollar threshold used to distinguish between type A and type B programs was $300,000.

7. Auditee qualified as low-risk auditee? – Yes

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

None

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

None