Alta California Regional Center, Inc.

Sacramento, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2024

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Alta California Regional Center, Inc., a California nonprofit corporation (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards issued by the Comptroller General of the United States*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 State of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

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INDEPENDENT AUDITORS' REPORT
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT
(Continued)

Other Matters

Supplementary 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 January 13, 2025, on our consideration of the Organization'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 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 Organization's internal control over financial reporting and compliance.

Devant CPAs

Devant CPAs
Roseville, California
January 13, 2025

FINANCIAL SECTION

Alta California Regional Center, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2024	
ASSETS	
Cash and cash equivalents	$ 70,504,919
Receivable - State Regional Center contracts	225,817,464
Receivable - Intermediate Care Facility	1,999,367
Due from State - unfunded accrued pension liability	32,892,376
Due from State - accrued vacation leave benefits	3,999,691
Due from State - deferred rent	279,773
Prepaid expenses and other assets	1,391,170
Operating lease right of use assets	4,840,265
TOTAL ASSETS	$ 341,725,025
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 77,603,740
Advance - State Regional Center contracts	219,212,707
Accrued and other liabilities	1,995,425
Unfunded accrued pension liability	32,892,376
Accrued vacation leave benefits	3,999,691
Deferred rent	125,227
Due to State - Intermediate Care Facility	455,967
Operating lease liability -short term portion	2,635,495
Operating lease liability -long term portion	2,359,316
Total Liabilities	341,279,944
Net Assets	
Without donor restriction	283,253
With donor restriction	161,828
Total Net Assets	445,081
TOTAL LIABILITIES AND NET ASSETS	$ 341,725,025

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

Alta California Regional Center, Inc.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
State Regional Center contracts	$ 794,360,278	$ -	$ 794,360,278
Intermediate Care Facility supplemental services income	3,954,515	-	3,954,515
Intermediate Care Facility administrative fee	51,587		51,587
Interest and other income	1,305,556	-	1,305,556
TOTAL REVENUE	799,671,936	-	799,671,936
EXPENSES			
Program Services			
Client services	787,924,715	-	787,924,715
Supporting Services			
Management and general	11,711,143	-	11,711,143
TOTAL EXPENSES	799,635,858	-	799,635,858
Changes in Net Assets	36,078	-	36,078
Net Assets - Beginning of Year	247,175	161,828	409,003
Net Assets - End of Year	$ 283,253	$ 161,828	$ 445,081

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

Alta California Regional Center, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

	Program Services	Supporting Services	
Year Ended June 30, 2024	Client Services	Management and General	Total Expenses
Salaries	50,621,161	$ 5,931,335	$ 56,552,496
Employee health and retirement benefits	14,320,423	$ 1,957,354	16,277,777
Payroll taxes	743,895	87,515	831,410
Total Salaries and Related Expenses	65,685,479	7,976,204	73,661,683
Purchase of services:			
Other purchased services	398,418,201	-	398,418,201
Living out-of-home	219,920,059	-	219,920,059
Day program	94,620,584	-	94,620,584
Facility rent	2,884,485	384,894	3,269,379
Contract/consulting services	575,597	1,814,011	2,389,608
Office expenses	629,529	72,289	701,818
Data processing	2,188,549	255,017	2,443,566
Insurance	539,781	59,976	599,757
Legal fees	101,559	696,940	798,499
General expenses	722,280	205,479	927,759
Equipment maintenance and purchases	305,856	32,925	338,781
Facility maintenance	144,003	14,114	158,117
Equipment rental	299,505	17,959	317,464
Travel	653,374	12,512	665,886
Communications	221,924	11,883	233,807
ARCA dues	-	92,526	92,526
Accounting fees	-	54,500	54,500
Board of Directors' expenses	-	8,364	8,364
Printing	13,950	1,550	15,500
Total	$ 787,924,715	$ 11,711,143	$ 799,635,858

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

Alta California Regional Center, Inc.
STATEMENT OF CASH FLOWS

Year Ended June 30, 2024		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	36,078
Adjustments to reconcile change in net assets		
to net cash provided (used) by operating activities:		
(Increase) decrease in:		
Receivable - State Regional Center contracts		(35,908,912)
Receivable - Intermediate Care Facility		(168,877)
Prepaid expenses and other assets		(18,982)
Increase (decrease) in:		
Accounts payable		15,093,990
Advance - State Regional Center contracts		14,258,200
Accrued and other liabilities		298,819
Due to State - Intermediate Care Facility		-
Net Cash Provided (Used) By Operating Activities		(6,409,684)
Net Increase (Decrease) in Cash		(6,409,684)
Cash and Cash Equivalents - Beginning of Year		76,914,603
Cash and Cash Equivalents - End of Year	$	70,504,919
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash Paid for Interest	$	1,164
SCHEDULE OF NONCASH		
Decrease in due from State - unfunded accrued pension liability	$	275,587
Increase in due from State - accrued vacation leave benefits		(678,238)
Decrease in due from State - deferred rent		533,965
Increase in operating lease right of use assets		(3,225,567)
Decrease in unfunded accrued pension liability		(275,587)
Increase in accrued vacation leave benefits		678,238
Decrease in deferred rent		(379,419)
Decrease in operating lease liability		3,071,021
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: Alta California Regional Center, Inc. (the Organization), was incorporated as a California not-for-profit corporation in May 1970. The Organization was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Act) of the *Welfare and Institutions Code* of the State of California (the State). In accordance with the Act, the Organization provides diagnostic evaluations, client service coordination, and lifelong planning services for persons with developmental disabilities and their families.

The Organization is governed by their board of directors. To comply with the Act, the Organization's board of directors includes persons with developmental disabilities, or their parents or legal guardians who receive services from the Organization and a client service provider who provides services to the Organization's clients.

The Organization primarily contracts with the Department of Developmental Services, State of California (DDS) to fund the operations of the Regional Center and provide services to clients with disabilities residing within the counties of Alpine, Colusa, El Dorado, Nevada, Placer, Sacramento, Sierra, Sutter, Yolo, and Yuba. The annual level of funding is dependent on the State of California budget.

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

Basis of Presentation: The Organization'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 Organization 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 Organization 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. Net assets with donor restrictions at June 30, 2024 consisted of donations received to be used for housing the Organization's clients in El Dorado County. The balance at June 30, 2024 was $161,828.

Fund Accounting: The accounts of the Organization 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 Organization 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 Organization. The accounts are in the name of both the Organization 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 Organization can have during the year, it is not feasible for the Organization to diversify its cash balances among various financial institutions. Therefore, the Organization 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, 2024, cash exceeded federally insured limits by $70,701,918. While the amount in the banks typically exceeded FDIC coverage during the year, historically the Organization 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.

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

State Regional Center Contract Receivable and Advance: Contracts receivable represent amounts due from the State for reimbursement of expenditures made by the Organization under the annual regional center contracts. Advances represent cash advances received by the Organization under the annual regional center contracts. Amounts receivable from the State are offset against advances payable when the State notifies the Organization that a right of offset exists.

The Organization considers all amounts receivable under grant contracts to be collectible; accordingly, no allowance for doubtful accounts exists.

Receivable – Intermediate Care Facility and Due to State - Intermediate Care Facility: The Centers for Medicare and Medicaid Services (CMS) approved federal financial participation in the funding of day and transportation services for clients who reside in intermediate care facilities (ICFs). As federal rules require services provided to residents of ICFs to be coordinated by those facilities, the State of California has devised a system wherein the Organization pays for the day program and transportation services, and then submits a statement of those costs to DDS and the ICF providers. DDS pays the ICF providers for these day and transportation services and the ICF providers reimburse the Organization for what it has spent. The Organization receives a 1.5% administrative fee based on the funds received to cover the additional workload.

The receivable from Intermediate Care Facilities reduces contract receivable from DDS. DDS has instituted protocols should the ICFs not remit the net amounts due to the Organization. The receivable from Intermediate Care Facilities in the amount of $1,999,367 at June 30, 2024, represents the amount DDS paid or will pay to the ICFs net of ICF administrative fees. Revenue from Intermediate Care Facilities was $4,006,102 as of June 30, 2024.

Management considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts exists.

Concentration of Labor: Approximately 80% of the employees of the Organization are represented by a union for collective bargaining purposes. Periodically the collective bargaining agreement is subject to renegotiation.

Equipment Purchase: In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Organization 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 Organization and owned by the State at June 30, 2024 was $541,315. This balance includes only the equipment that is sensitive or exceeds $5,000 as required by State Administrative Manual (SAM) guidelines.

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

Revenue and Revenue Recognition: The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional contributions or 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 Organization'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 Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as Advance – State Regional Center contracts on the statement of financial position. The Organization received cost-reimbursable grants of $225,765,149 that have not been recognized in revenue at June 30, 2024, because qualifying expenditures have not yet been incurred; therefore, the advance payment of $225,765,149 is reported on the statement of financial position as Advance – State Regional Center contracts.

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. Employees hired prior to June 30, 2006 gain a vested right to 50% of their accumulated sick leave and all other employees do not gain a vested right to their accumulated sick leave. Therefore, accumulated employee sick leave benefits for employees hired before June 30, 2006, are recognized as liabilities of the Organization and the remaining sick leave benefits for all other employees are recorded as expenses in the period sick leave is taken. 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.

Deferred Rent*:* The Organization 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 Organization has recorded a receivable from the State for the deferred rent to reflect the future reimbursement of the additional rent expense.

Defined Benefit Pension Plan: The Organization 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. The Organization uses the actuarial report provided by CalPERS coinciding with the Organizations 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. The 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, 2024, the difference cannot be reasonably determined; however, according to CalPERS, the respective actuarial report provides the most accurate representation of the unfunded accrued liability and plan assets as detailed in Note 6.

Income Taxes: The Organization 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*. Accordingly, no provision for income taxes is included in the financial statements.

The Organization 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 Organization 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 Organization’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, 2024, and the Organization does not expect this to change significantly over the next 12 months.

Allocation of Expenses: The statement of functional expenses allocates expenses to the program and supporting service categories based on a direct method for purchase of services, salaries, and related expenses. Operating expenses are allocated to the program and supporting services based on the relative benefits received.

Advertising: Costs for advertising and related communication costs are expensed as they are incurred.

Leases: At the inception of a contract, the Organization determines if the arrangement is, or contains, a lease. Operating lease right-of-use ("ROU") assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term calculated using the risk-free rate commensurate with the term of the ROU asset.

ROU assets also include any lease payments made at or before lease commencement and exclude any lease incentives received. The lease terms may include options to extend the lease when it is reasonably certain that the Agency will exercise that option. Leases with a term of 12 months or less are not recognized in the statement of financial position. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Agency accounts for lease and non-lease components as a single lease component for all its leases.

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 January 13, 2025, the date on which the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for purchase of client service and operation expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

June 30, 2024	
Cash and cash equivalents	$ 70,504,919
Less: Cash subject to donor restrictions	(161,828)
Receivable - State Regional Center Contracts	225,765,149
Less: Advance State Regional Center Contracts	(219,212,707)
Receivable - Intermediate Care Facility	1,999,367
Due to State - Intermediate Care Facility	(3,958,021)
Total	$ 74,936,879

According to the Organization's contract with DDS, the State and the regional centers collaborate 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, approximately ninety-nine percent (99%) of the enacted budget for operations and purchase of service. To do this, it may be necessary to amend the Organization's contract in order to allocate funds made available from budget augmentations to allocate funds among regional centers. In the event that DDS determines that a regional center has insufficient funds to meet its contractual obligations, DDS shall utilize proper legislative measures to secure additional funds and provide the regional center with regulatory and statutory relief.

The Organization maintains a line of credit (see Note 7) to manage cash flow requirements during the months of May through October as needed to cover any delays in cash advances and reimbursements over the beginning of the fiscal year.

3. FUNDING LIMITS

The Organization’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, 2024	$ 881,367,242	$ 332,112,935	$ 549,254,307
June 30, 2023	$ 828,902,986	$ 771,998,404	$ 56,904,582
June 30, 2022	$ 805,582,040	$ 685,842,127	$ 119,739,914

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. OTHER PURCHASED SERVICES

Other purchased services consisted of the following:

Year Ended June 30, 2024	
Other authorized services	$ 177,908,439
Transportation	62,118,167
Nonmedical services	63,180,471
Respite	66,578,928
Medical care	24,394,215
Medical equipment	2,963,979
Prevention services	1,112,230
Camps	161,772
Total Other Purchased Services	$ 398,418,201

5. LEASES AND COMMITMENTS

Nature of Leases

The Organization has obligations as a lessee for office space with initial non-cancellable terms in excess of one year. The leases are right of use assets. The office space leases have initial terms that range from 5 to 10 years with options to extend the lease terms for an additional 5 years. Because the Organization is reasonably certain to exercise these options to extend, the optional periods are included in determining the lease term, and associated payments under these renewal options are included in lease payments used to determine the lease liability balances. The Organization classifies these leases as operating leases. Payments due under lease contracts include fixed payments and variable payments. Existing leases require the Organization to pay for property tax, insurance and its share of the facilities' direct expenses, including maintenance, janitorial, and gardening expenses. These variable lease payments are not included in lease payments used to determine lease liabilities and are recognized as variable lease costs when incurred. The carrying amount is the present value of the lease payments net of accumulated amortization.

Beginning in 2022, the Center has elected not to separate nonlease components from lease components for all office space leases

Significant Judgments and Assumptions

The Company uses its incremental borrowing rate to determine the present value of lease payments. The rate is determined based on the information available at the lease commencement date.

Lease Costs

The components of lease expense for the year ended June 30, 2024 are as follows:

	Equipment	Office Space
Fixed operating lease costs	$ 317,464	$ 3,269,379
Remaining lease terms (years)	3.3	1.8
Weighted-average discount rate	5%	5%

Maturity Analysis of Lease Liabilities

The carrying amount of lease liabilities are right of use liabilities. The right of use liability is the present value of the lease payments. The following summarizes the maturity of lease liabilities as of June 30, 2024:

Years Ending June 30	
2025	$ 2,896,032
2026	834,489
2027	841,763
2028	584,386
2029	331,242
Thereafter	114,778
Total undiscounted cash flows	5,602,690
Less: present value discount	(607,879)
Total Operating Lease Liability	$ 4,994,811

The terms of the leases provide for payment of minimum annual rent, insurance, and property taxes.

Commitments

The Organization contracts with various providers of services for the developmentally disabled. Significant unpaid commitments under these contracts as they are paid in arrears.

6. PENSION PLAN

The Organization participates in the California Public Employee's Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions and other requirements are established by state statutes within the Public Employees' Retirement Law. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their annual covered salaries for employees hired before January 1, 2013 and 6.25% of covered salaries for employees hired after January 1, 2013. The Organization contributes the full required contributions for plan members up to the actuarially determined contribution necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2024, was 14.24%. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

The unfunded liability measured at June 30, 2023, which was the most current actuarial valuation available due to a one year lag in measurement reporting, was as follows:

Present value of projected benefits	$ 216,902,781
Less present value of future:	
Future employer normal costs	(31,355,852)
Future employee contributions	(29,290,011)
Entry Age Normal Accrued Liability	156,256,918
Market value of assets	(123,364,542)
Unfunded Defined Benefit Plan Liability	$ 32,892,376

The Organization actively monitors the unfunded liability with the board of directors and seeks methods to help reduce its liability, such as, making periodic payments towards the liability throughout the fiscal year.

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

June 30, 2023	
Beginning of Year	$ 110,989,190
Contributions:	
Employer	8,455,595
Employee	2,650,263
Net investment return - net of investment expenses	6,934,935
Benefit payments to retirees and beneficiaries	(5,410,504)
Refunds	(194,115)
Other transfers and miscellaneous adjustments	(60,822)
End of Year	$ 123,364,542

Annual Pension Cost

For the year ended June 30, 2024, the Organization's annual pension cost was $5,557,379. The expected payment on the unfunded liability for the year ended June 30, 2024 is $4,721,899. The following is a summary of principal assumptions and methods used to determine the required annual contribution:

Valuation date	June 30, 2023
Actuarial cost method	Entry Age Actuarial Cost Method
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	6.8% (Net of administrative expenses)
Price Inflation	2.300%
Wage Inflation	2.800%

Under this method, projected benefits are determined for all members and the associate 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. The cost allocated to the current fiscal year is called the normal cost.

Sensitivity of the Unfunded Accrued Pension Liability to the Changes in the Discount Rate

The following presents the unfunded accrued pension liability of the Plan, calculated using the discount rate of 6.80%, as well as what the unfunded accrued pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Unfunded accrued pension liability	$ 39,164,731	$ 32,892,376	$ 20,487,887

The actuarial accrued liability for active members is 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. Commencing with the June 30, 2013 valuation all new gains or losses are tracked and amortized over a fixed 30-year period with a 5-year ramp up at the beginning and a 5-year ramp-down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes), changes in actuarial assumptions, or changes actuarial methodology are amortized separately over a 20-year period with a 5-year ramp up at the beginning and 5-year ramp down at the end of the amortization period. Changes in unfunded accrued liability due to a Golden Handshake will be amortized over a period of 5-years. If the plan's accrued liability exceeds the market value of 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. An exception has been made for the change in asset value from actuarial to market value in this valuation. The CalPERS Board approved a 30-year amortization with a 5-year ramp-up/ramp-down for only this change in method.

The following schedule 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 (beginning with June 30, 2014, valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy):

Valuation Date	Entry Age Normal Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll Funding	Unfunded Actuarial Liability as Percent of Payroll
6/30/2014	$ 71,009,494	$ 58,331,087	$ 12,678,407	82.1%	$ 20,400,492	62.1%
6/30/2015	$ 76,233,119	$ 60,924,000	$ 15,309,119	79.9%	$ 20,608,339	74.3%
6/30/2016	$ 83,630,855	$ 62,554,043	$ 21,076,812	74.8%	$ 21,566,286	97.7%
6/30/2017	$ 96,354,111	$ 71,358,369	$ 24,995,742	74.1%	$ 26,511,934	94.3%
6/30/2018	$ 106,756,294	$ 78,839,204	$ 27,917,090	73.8%	$ 27,052,302	103.2%
6/30/2019	$ 113,692,003	$ 85,672,559	$ 28,019,444	75.4%	$ 29,101,984	96.3%
6/30/2020	$ 122,643,464	$ 91,753,247	$ 30,890,217	74.8%	$ 30,657,127	100.8%
6/30/2021	$ 133,700,862	$ 117,386,162	$ 16,314,700	87.8%	$ 30,358,011	53.7%
6/30/2022	$ 144,157,153	$ 110,989,190	$ 33,167,963	77.0%	$ 34,282,770	96.7%
6/30/2023	$ 156,256,918	$ 123,364,542	$ 32,892,376	78.9%	$ 39,683,115	82.9%

Asset Allocation

The asset allocation shown below reflects the CalPERS fund in total as of June 30, 2023. The assets of the Organization's plan are part of the CalPERS fund and are invested accordingly:

	Current Allocation	Policy Target Allocation
Asset Class		
Public equity	45.1%	42.0%
Domestic fixed income	21.3%	25.0%
Global fixed income	5.1%	5.0%
Private equity	12.9%	13.0%
Real assets	15.2%	15.0%
Private Debt	2.2%	5.0%
Trust level financing	-1.8%	-5.0%
Total	100%	100%

Other Plans

The Organization contributed to a defined contribution retirement account for eligible employees who elected not to participate in the CalPERS retirement plan. The Organization deposited a non-elective employer contribution set at 8% of the employees' annual salary which amounted to $50,697 for the year ended June 30, 2024.

7. LINE OF CREDIT

The Organization has a revolving note with U.S. Bank, NA whereby it can borrow up to $25,000,000 until September 5, 2024. Interest payments are due monthly at a variable rate of interest, calculated at an annual rate equal to 2.0% plus the one month LIBOR rate. On June 30, 2024, the interest rate was 3.44%. No amount was outstanding on the revolving note as of June 30, 2024.

8. LITIGATION CLAIMS AND CONTINGENCIES

In accordance with the terms of the State of California contract, an audit may be performed by an authorized state representative. Should such audit disclose any unallowable costs, the Organization may be liable to the State for reimbursement of such costs. In the opinion of the Organization's management, the effect of any disallowed costs, if any, would be immaterial to the financial statements as of June 30, 2024.

The Organization is dependent on continued funding provided by the DDS of the State of California to operate and provide services for its clients.

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

9. RELATED-PARTY TRANSACTIONS

California Welfare and Institutions Code, Section 4622, requires that a minimum of 50% of the Organization's governing board be comprised of persons with developmental disabilities or their parents or legal guardians in addition of having one client service provider. 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.

10. SUBSEQUENT EVENTS

On August 30, 2024, Alta California Regional Center signed a new lease agreement to relocate its primary office space. The new lease terms commences in March 2025 and provide for a 15 year lease agreement to consolidate its Sacramento location with office space rents starting at $271,172 per month with yearly escalators.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Contract Year(s)	Pass-Through Grant 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)	84.181A	23/24	H181A210037	$	1,042,877
Total U.S. Department of Education					1,042,877
Total Expenditures of Federal Awards				$	1,042,877

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the 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). Because this schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

The Organization did not elect to use the 10% de minimis method for indirect cost rate allowed under the Uniform Guidance.

Noncash Assistance

Alta California Regional Center has not received any non-cash assistance, such as commodities, food stamps, or surplus property, or insurance provided by a federal or state agency.

OTHER REPORTS SECTION

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Alta California Regional Center, Inc.'s, a California nonprofit corporation (the Organization), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2024. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*4 issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Alta California Regional Center, Inc and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity's compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Alta California Regional Center, Inc.'s federal programs.

Our responsibility is to express an opinion on compliance on the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
(Continued)

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 Organization'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 Organization's compliance.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Example Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Alta California Regional Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

• exercise professional judgment and maintain professional skepticism throughout the audit.

• identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

• obtain an understanding of Alta Ca Regional Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Alta California Regional Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
(Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Devant CPAs

Devant CPAs
Roseville, California
January 13, 2025

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:

Assistance Listing Number	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

FINANCIAL STATEMENTS AUDIT

None reported

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None reported.