

# **Alta California Regional Center, Inc.**

**Sacramento, California**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS**

**June 30, 2020**



# Alta California Regional Center, Inc.

## TABLE OF CONTENTS

June 30, 2020

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	<b><u>Page Number</u></b>
Independent Auditors' Report	1
 <b>FINANCIAL SECTION</b>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
 <b>SUPPLEMENTARY INFORMATION SECTION</b>	
Schedule of Expenditures of Federal Awards	21
 <b>OTHER REPORTS SECTION</b>	
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 <i>Government Auditing Standards</i>	23
Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance With the Uniform Guidance	25
 <b>FINDINGS AND RECOMMENDATIONS SECTION</b>	
Schedule of Findings and Questioned Costs	29
Summary Schedule of Prior Audit Findings	30

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditor considers internal control relevant to the Organization'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 Organization'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.

## INDEPENDENT AUDITORS' REPORT

(Continued)

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 4, 2021, 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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*AGT CPAs & Advisors*

January 4, 2021  
AGT CPAs & Advisors  
Redding, California

## **FINANCIAL SECTION**

# Alta California Regional Center, Inc.

## STATEMENT OF FINANCIAL POSITION

June 30, 2020

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### ASSETS

Cash and cash equivalents	\$ 27,703,051
Receivable - State Regional Center contracts	145,684,251
Receivable - Intermediate Care Facility	2,608,164
Due from State - unfunded accrued pension liability	28,019,444
Due from State - accrued vacation leave benefits	3,224,434
Due from State - deferred rent	1,916,212
Prepaid expenses and other assets	784,757

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<b>TOTAL ASSETS</b>	<b>\$ 209,940,313</b>
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### LIABILITIES AND NET ASSETS

#### Liabilities

Accounts payable	\$ 51,694,632
Advance - State Regional Center contracts	123,123,515
Accrued and other liabilities	929,475
Unfunded accrued pension liability	28,019,444
Accrued vacation leave benefits	3,224,434
Deferred rent	1,916,212
Due to State - Intermediate Care Facility	636,342

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<b>Total Liabilities</b>	<b>209,544,054</b>
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#### Net Assets

Without donor restriction	234,431
With donor restriction	161,828

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<b>Total Net Assets</b>	<b>396,259</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 209,940,313</b>
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*The accompanying notes are an integral part of these financial statements.*

**Alta California Regional Center, Inc.**

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
State Regional Center contracts	\$ 510,731,181	\$ -	\$ 510,731,181
Intermediate Care Facility supplemental services income	4,239,912	-	4,239,912
Intermediate Care Facility administrative fee	65,165	-	65,165
Interest and other income	132,027	-	132,027
<b>TOTAL REVENUE</b>	<b>515,168,285</b>	<b>-</b>	<b>515,168,285</b>
<b>EXPENSES</b>			
<b>Program Services</b>			
Client services	509,035,979	-	509,035,979
<b>Supporting Services</b>			
Management and general	6,128,231	-	6,128,231
<b>TOTAL EXPENSES</b>	<b>515,164,210</b>	<b>-</b>	<b>515,164,210</b>
<b>Changes in Net Assets</b>	<b>4,075</b>	<b>-</b>	<b>4,075</b>
<b>Net Assets - Beginning of Year</b>	<b>230,356</b>	<b>161,828</b>	<b>392,184</b>
<b>Net Assets - End of Year</b>	<b>\$ 234,431</b>	<b>\$ 161,828</b>	<b>\$ 396,259</b>

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

**Alta California Regional Center, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2020	Program Services	Supporting Services	Total Expenses
	Client Services	Management and General	
Salaries	\$ 29,711,747	\$ 3,729,410	\$ 33,441,157
Employee health and retirement benefits	10,189,444	1,380,888	11,570,332
Payroll taxes	494,433	57,170	551,603
<b>Total Salaries and Related Expenses</b>	<b>40,395,624</b>	<b>5,167,468</b>	<b>45,563,092</b>
Purchase of services:			
Other purchased services	250,093,836	-	250,093,836
Living out-of-home	128,295,005	-	128,295,005
Day program	84,461,996	-	84,461,996
Facility rent	2,755,071	326,580	3,081,651
Data processing	516,304	76,800	593,104
Travel	495,601	9,459	505,060
Office expenses	447,802	55,208	503,010
Insurance	380,500	42,278	422,778
Contract/consulting services	213,486	102,521	316,007
Legal fees	219,480	39,091	258,571
Equipment maintenance and purchases	212,321	19,491	231,812
General expenses	158,880	57,706	216,586
Equipment rental	164,331	19,245	183,576
Facility maintenance	116,104	15,331	131,435
Communications	99,705	13,601	113,306
ARCA dues	-	92,527	92,527
Accounting fees	-	56,000	56,000
Interest	-	25,156	25,156
Printing	9,933	1,223	11,156
Board of Directors' expenses	-	8,546	8,546
<b>Total</b>	<b>\$ 509,035,979</b>	<b>\$ 6,128,231</b>	<b>\$ 515,164,210</b>

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



# Alta California Regional Center, Inc.

## STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

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### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	4,075
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in:		
Receivable - State Regional Center contracts		(16,498,730)
Receivable - Intermediate Care Facility providers		404,004
Prepaid expenses and other assets		(60,318)
Increase (decrease) in:		
Accounts payable		12,770,098
Advance - State Regional Center contracts		15,588,598
Accrued and other liabilities		229,379
<b>Net Cash Provided (Used) By Operating Activities</b>		<b>12,437,106</b>
<b>Net Increase (Decrease) in Cash</b>		<b>12,437,106</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>		<b>15,265,945</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$</b>	<b>27,703,051</b>

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### SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

<b>Cash Paid for Interest</b>	<b>\$</b>	<b>25,156</b>
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### SCHEDULE OF NONCASH

Increase in due from state - unfunded accrued pension liability	\$	(102,354)
Increase in due from state - accrued vacation leave benefits		(303,747)
Decrease in due from state - deferred rent		276,199
Increase in unfunded accrued pension liability		102,354
Increase in accrued vacation leave benefits		303,747
Decrease in deferred rent		(276,199)
<b>Total</b>	<b>\$</b>	<b>-</b>

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

# Alta California Regional Center, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

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### 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, 2020 consisted of donations received to be used for housing the Organization's clients in El Dorado County. The balance at June 30, 2020 was \$161,828.

## Alta California Regional Center, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**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, 2020, cash exceeded federally insured limits by \$27,478,338. 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.

## Alta California Regional Center, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Receivable – Intermediate Care Facility and Due to State – Intermediate Care Facility balances consisted of the following at June 30, 2020:

Years Ended	Receivable - Intermediate Care Facility	Due to State - Intermediate Care Facility
June 30, 2015 and prior	\$ 689,996	\$ 636,342
June 30, 2016	-	-
June 30, 2017	1,354	-
June 30, 2018	101,749	-
June 30, 2019	9,266	-
June 30, 2020	1,805,799	-
<b>Total</b>	<b>\$ 2,608,164</b>	<b>\$ 636,342</b>

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, 2020, was \$980,706. This balance includes only the equipment that is sensitive or exceeds \$5,000 as required by 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 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 \$123,123,515 that have not been recognized in revenue at June 30, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of \$123,123,515 recognized in the statement of financial position as Advance – State Regional Center contracts.

## Alta California Regional Center, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**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, 2020, 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, 2020, and the Organization does not expect this to change significantly over the next 12 months.

## Alta California Regional Center, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**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** Advertising production and communication costs are expensed as they are incurred.

**Subsequent Events** Management has evaluated subsequent events through January 4, 2021, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States. The Organization is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, in addition to the impact on its employees. The Organization has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact the Organization's financial condition or result of operations is uncertain and being evaluated by management and the Board.

**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.

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

The main provisions of the ASU are:

1. Establish a new control-based revenue recognition model.
2. Changes the basis for deciding when revenue is recognized over time or at a point in time.
3. Provides new and more detailed guidance on specific topics.
4. Expands and improves disclosures about revenue.

In May 2020, the FASB issued ASU 2020-05, which delayed the effective date of the standard to fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this ASU on its financial statements.

# Alta California Regional Center, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

**Change in Accounting Principle** On June 21, 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 605) – Clarifying the Scope and the Accounting guidance for Contributions received and Contributions Made. The update addresses whether a grant, contract, or agreement is a contribution or an exchange transaction based on whether the Organization is receiving commensurate value in return. If commensurate value is received by the contributor, it is accounted for as an exchange transaction. If commensurate value is not received by the contributor, it is accounted for as a contribution. The Organization has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. The ASU had no material effect on previously reported net assets.

## 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, 2020

Cash and cash equivalents	\$ 27,703,051
Less: Cash subject to donor restrictions	(161,828)
Receivable - State Regional Center Contracts	145,684,251
Less: Advance State Regional Center Contracts	(123,123,515)
Receivable - Intermediate Care Facility	2,608,164
Due to State - Intermediate Care Facility	(636,342)
<b>Total</b>	<b>\$ 52,073,781</b>

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.

# Alta California Regional Center, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Additionally, each regional center submits a monthly purchase of service expenditure projection to DDS, beginning in December of each fiscal year. By February 1st of each year, DDS allocates, to all regional centers, 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, 2020	\$ 522,058,092	\$ 505,952,830	\$ 16,105,262
June 30, 2019	\$ 453,567,620	\$ 445,817,447	\$ 7,750,173
June 30, 2018	\$ 411,302,569	\$ 408,837,464	\$ 2,465,105

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.



## Alta California Regional Center, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 4. OTHER PURCHASED SERVICES

Other purchased services consisted of the following:

Year Ended June 30, 2020

Nonmedical services	\$	42,890,597
Respite		41,588,443
Other authorized services		100,012,297
Medical care		11,258,664
Transportation		51,536,872
Prevention services		673,200
Medical equipment		2,133,763
<b>Total Other Purchased Services</b>	<b>\$</b>	<b>250,093,836</b>

#### 5. LEASES AND COMMITMENTS

##### Leases

The Organization is obligated under lease agreements for office equipment and office facilities expiring in various years through 2036. The terms of the leases provide for payment of minimum annual rent, insurance, and property taxes.

The future minimum lease commitments, including the tenant allowance as of June 30, 2020, are payable as follows:

Years Ending June 30

2021	\$	3,120,380
2022		3,149,195
2023		3,064,166
2024		2,902,526
2025		2,215,786
Thereafter		286,881
<b>Total</b>	<b>\$</b>	<b>14,738,934</b>

Total facility and equipment rental costs for the year ended June 30, 2020, was \$3,265,227.

##### Commitments

The Organization pays for services in arrears, and at any given time the amount due to providers for services rendered is estimated. Unpaid commitments at June 30, 2020, were approximately \$70 million.

# Alta California Regional Center, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 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 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, 2020, was 12.647%. 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.

#### Annual Pension Cost

For the year ended June 30, 2020, the Organization's annual pension cost was \$3,650,477 and the employer actually contributed \$3,650,477. The following is a summary of principal assumptions and methods used to determine the required annual contribution:

June 30, 2020

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Valuation date	June 30, 2019
Actuarial cost method	Entry Age Actuarial Cost Method
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	7.0% (Net of administrative expenses)
Inflation	2.500%
Payroll growth	2.750%

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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.

## Alta California Regional Center, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

#### 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Unfunded accrued pension liability	\$ 44,377,928	\$ 28,019,444	\$ 14,587,912

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, 2011, valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy):

## Alta California Regional Center, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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
6/30/2011	\$ 51,761,906	\$ 40,035,708	\$ 11,726,198	77.3%	\$ 18,287,117	64.1%
6/30/2012	\$ 56,309,724	\$ 41,523,633	\$ 14,786,091	73.7%	\$ 17,464,605	84.7%
6/30/2013	\$ 61,944,819	\$ 48,238,527	\$ 13,706,292	77.9%	\$ 18,973,558	72.2%
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%

### Asset Allocation

The asset allocation shown below reflects the CalPERS fund in total as of June 30, 2019. The assets of the Organization's plan are part of the CalPERS fund and are invested accordingly:

Asset Class	Current Allocation	Target Allocation
Public equity	50.2%	50.0%
Private equity	7.1%	8.0%
Global fixed income	28.7%	28.0%
Liquidity	1.0%	1.0%
Real assets	11.0%	13.0%
Inflation sensitive assets	0.0%	0.0%
Other	2.0%	0.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### 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 \$656,652 for the year ended June 30, 2020.

## **Alta California Regional Center, Inc.**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

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#### **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, 2021. 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, 2020, the interest rate was 2.19%. No amount was outstanding on the revolving note as of June 30, 2020.

#### **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, 2020.

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.

**SUPPLEMENTARY INFORMATION SECTION**

**Alta California Regional Center, Inc.**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Contract Year	Pass-Through Grant Number	Federal CFDA Number	Disbursements/ Expenditures
<b>FEDERAL</b>				
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed Through State of California</b>				
<b>Department of Developmental Services -</b>				
Special Education - Grants for Infants and Families with Disabilities (Part C)	19/20	H181A190037	84.181A	\$ 1,183,775
<b>Total U.S. Department of Education</b>				1,183,775
<b>Total Expenditures of Federal Awards</b>				\$ 1,183,775

**Purpose of Schedules**

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

**Basis of Presentation**

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

**Indirect Cost Rate**

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

## **OTHER REPORTS SECTION**





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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Alta California Regional Center, Inc, a California nonprofit corporation (the Organization), which comprise the statement of financial position as of June 30, 2020, 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 4, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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 Organization'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.

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

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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.

*AGT CPAs & Advisors*

January 4, 2021  
AGT CPAs & Advisors  
Redding, California



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

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 *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2020. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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 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 (CFR) 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.

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

(Continued)

***Opinion on Major Federal Program***

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, 2020.

**Report on Internal Control Over Compliance**

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

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

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

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

(Continued)

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

*AGT CPAs & Advisors*

January 4, 2021  
AGT CPAs & Advisors  
Redding, California

## **FINDINGS AND RECOMMENDATIONS SECTION**

**SECTION I**  
**SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

**SECTION II FINDINGS**  
**FINANCIAL STATEMENTS AUDIT**

None

**SECTION III FINDINGS**  
**FEDERAL AWARDS AUDIT**

None

**Alta California Regional Center, Inc.**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2020

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None