



**INCORPORATED AS COASTAL DEVELOPMENTAL  
SERVICES FOUNDATION dba WESTSIDE REGIONAL CENTER**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY  
FINANCIAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2021  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Coastal Developmental Services Foundation**  
**dba Westside Regional Center**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Coastal Developmental Services Foundation dba Westside Regional Center (the Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Basis for Qualified Opinion***

The Foundation provides retirement benefits through its participation in the California Public Employees Retirement System (CalPERS). Because most of the member entities in CalPERS are governmental entities, CalPERS calculates the members' funded or unfunded status using methods and actuarial assumptions promulgated by Government Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a nonprofit organization, the Foundation uses a different accounting framework based on standards promulgated by the Financial Accounting Standard Board (FASB), and Auditing Standards Update *Compensation – Retirement Benefits (Topic 715)* requires different methods and actuarial assumptions than GASB. The Foundation reports its unfunded status using the actuarial report provided by CalPERS using GASB No. 68's methods and actuarial assumptions, which are departures from accounting principles generally accepted in the United States of America. Management did not prepare an actuarial report in accordance with FASB's methods and actuarial assumptions. Accordingly, we were unable to obtain sufficient appropriate audit evidence about the Foundation's unfunded status by other auditing procedures.

### ***Qualified Opinion***

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

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Purchase of Services Expenses for the year ended June 30, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Report on Summarized Comparative Information***

We have previously audited the Foundation's 2020 financial statements, and we expressed a qualified opinion on those audited financial statements, due to the pension issue described in the Basis for Qualified Opinion paragraph above, in our report dated April 8, 2021. The summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report March 30, 2022, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Marcum LLP*

Washington, DC  
March 30, 2022

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2021**

**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

	2021	2020
<b>Assets</b>		
Cash	\$ 14,869,701	\$ 16,452,425
Cash – client trust funds	2,380,722	1,584,633
Contract reimbursement receivable	79,038,595	79,659,853
Other receivables	492,142	476,266
Receivable from Intermediate Care Facilities	2,227,841	2,621,919
Due from State	38,979,149	46,100,618
Other assets	147,242	138,790
<b>Total Assets</b>	<b>\$ 138,135,392</b>	<b>\$ 147,034,504</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	36,777,805	30,223,874
Accrued vacation and other leave benefits	1,869,708	1,673,014
Contract advance	59,936,124	65,326,052
Due to State	1,181,292	1,224,480
Unfunded defined benefit plan liability	3,956,661	13,629,439
Post-retirement health care plan obligation	21,218,967	32,920,822
Deferred rent	603,321	565,755
Unexpended client support	2,380,722	1,584,633
<b>Total Liabilities</b>	127,924,600	147,148,069
<b>Net Assets Without Donor Restrictions</b>	10,210,792	(113,565)
<b>Total Liabilities and Net Assets</b>	<b>\$ 138,135,392</b>	<b>\$ 147,034,504</b>

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

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2021  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

	2021	2020
<b>Operating Revenue and Support</b>		
Grants – State DDS	\$ 300,650,628	\$ 276,321,448
Grants – Federal	1,716,695	1,657,553
Intermediate Care Facilities	1,610,531	2,159,800
Interest and other income	158,832	300,821
<b>Total Operating Revenue and Support</b>	<b>304,136,685</b>	<b>280,439,622</b>
<b>Expenses</b>		
Program Services:		
Direct client services	290,399,555	254,572,642
Operating	18,398,368	17,259,490
Total Program Services	308,797,923	271,832,132
Supporting Service:		
General and administrative	8,490,704	7,932,842
<b>Total Expenses</b>	<b>317,288,627</b>	<b>279,764,974</b>
Change in net assets from operations	(13,151,942)	674,648
Health plan-related changes other than net periodic post-retirement benefit cost	13,803,521	(6,421,778)
Change in defined benefit plan liability	9,672,778	(517,478)
<b>Change in Net Assets</b>	<b>10,324,357</b>	<b>(6,264,608)</b>
<b>Net Assets – Beginning of year</b>	<b>(113,565)</b>	<b>6,151,043</b>
<b>Net Assets – End of year</b>	<b>\$ 10,210,792</b>	<b>\$ (113,565)</b>

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

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2021  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

	2021			2020
	Program Service	General and Administrative	Total	Total
<b>Direct Client Services</b>				
Residential care facilities	\$ 54,726,792	\$ --	\$ 54,726,792	\$ 45,310,535
Day programs	22,207,187	--	22,207,187	24,598,994
Other purchased services	<u>213,465,576</u>	<u>--</u>	<u>213,465,576</u>	<u>184,663,113</u>
<b>Total Direct Client Services</b>	<u>290,399,555</u>	<u>--</u>	<u>290,399,555</u>	<u>254,572,642</u>
<b>Operating Expenses</b>				
Salaries	10,950,803	5,031,304	15,982,107	15,146,675
Employee health and retirement benefits	4,764,144	2,140,413	6,904,557	6,065,959
Facility rent	1,105,304	507,828	1,613,132	1,595,490
Equipment and facility maintenance	299,251	137,488	436,739	288,225
General expenses	228,748	105,010	333,758	540,393
Payroll taxes	185,275	83,239	268,514	214,345
Legal fees	176,774	81,218	257,992	82,255
Consultant fees	153,894	70,706	224,600	275,386
Communications	131,743	60,529	192,272	230,731
Insurance	103,778	47,680	151,458	108,446
General office expenses	99,335	41,089	140,424	166,675
Equipment rental	69,469	31,917	101,386	83,788
Equipment purchases	65,963	30,306	96,269	98,076
Accounting fees	--	92,572	92,572	76,596
Dues	46,996	21,593	68,589	68,389
Printing	12,242	5,612	17,854	49,454
Staff travel	4,649	609	5,258	88,299
Interest expense	--	1,591	1,591	8,976
Board expenses	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,174</u>
<b>Total Operating Expenses</b>	<u>18,398,368</u>	<u>8,490,704</u>	<u>26,889,072</u>	<u>25,192,332</u>
<b>Total Expenses</b>	<u>\$ 308,797,923</u>	<u>\$ 8,490,704</u>	<u>\$ 317,288,627</u>	<u>\$ 279,764,974</u>

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



**COASTAL DEVELOPMENTAL SERVICES FOUNDATION**  
**dba WESTSIDE REGIONAL CENTER**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

	2021	2020
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 10,324,357	\$ (6,264,608)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in post-retirement health care plan obligation	(11,701,855)	7,959,661
Changes in defined benefit plan liability	(9,672,778)	517,478
Changes in operating assets and liabilities:		
Contract reimbursement receivable	621,258	(7,819,831)
Other receivables	(15,876)	90,997
Receivable from Intermediate Care Facilities	394,078	(435,593)
Due from State	7,121,469	(2,052,221)
Other assets	(8,452)	--
Accounts payable	6,553,931	9,135,459
Accrued vacation and other leave benefits	196,694	157,512
Due to State	(43,188)	--
Deferred rent	37,566	89,526
Unexpended client support	796,089	(46,840)
<b>Net Cash Provided by Operating Activities</b>	<b>4,603,293</b>	<b>1,331,540</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from contract advance	74,780,018	65,165,274
Payments of contract advance	(80,169,946)	(58,571,510)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(5,389,928)</b>	<b>6,593,764</b>
<b>Cash Flows From Investing Activities</b>		
Affiliate loan repayment	--	46,559
<b>Net Cash Provided by Investing Activities</b>	<b>--</b>	<b>46,559</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(786,635)</b>	<b>7,971,863</b>
<b>Cash – Beginning</b>	<b>18,037,058</b>	<b>10,065,195</b>
<b>Cash – Ending</b>	<b>\$ 17,250,423</b>	<b>\$ 18,037,058</b>
Statement of Financial Position Presentation:		
Cash	\$ 14,869,701	\$ 16,452,425
Cash – client trust funds	2,380,722	1,584,633
	<b>\$ 17,250,423</b>	<b>\$ 18,037,058</b>

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

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***PURPOSE AND ORGANIZATION***

***Organization***

Coastal Developmental Services Foundation (the Foundation) was incorporated on January 3, 1983, as a California nonprofit public benefit corporation under contract with the State of California Department of Developmental Services (DDS). Under the name Westside Regional Center, the Foundation coordinates through outside providers programs for individuals with developmental disabilities and their families, which includes diagnosis, counseling, education services, and dissemination of information on developmental disabilities to the public. The Foundation is one of 21 regional centers within the State of California system and serves the two health districts of Inglewood and Santa Monica-West.

***Governance***

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

***Mission Statement***

The Foundation's mission statement is as follows:

It is Westside Regional Center's mission to empower people with developmental disabilities and their families to choose and access community services that facilitate a quality of life comparable to persons without disabilities.

***STATE OF CALIFORNIA CONTRACT***

The Foundation operates under an annual cost-reimbursement contract with DDS under the Lanterman Act. Maximum expenditures under the contract are limited to the contract allocation, plus Intermediate Care Facility-State Plan Amendment (ICF-SPA) income, ICF-SPA

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***STATE OF CALIFORNIA CONTRACT (CONTINUED)***

administrative fee, and interest earned. The Foundation is required to maintain accounting records in accordance with the Regional Center Fiscal Manual, issued by DDS, and is required to have DDS approval for certain expenses. In the event of termination or nonrenewal of the contract, the State of California maintains the right to assume control of the Foundation's operation and the obligation of its liabilities.

Under the terms of these DDS contracts, funded expenditures are not to exceed \$300,967,012, \$282,599,628 and \$244,645,671, for the 2020/21, 2019/20 and 2018/19, contract years, respectively. As of June 30, 2021, actual net expenditures under the 2020/21, 2019/20 and 2018/19 contracts were \$277,007,002, \$242,480,387 and \$227,674, respectively.

***BASIS OF ACCOUNTING***

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

***NET ASSETS WITHOUT DONOR RESTRICTIONS***

Net assets without donor restrictions represent expendable funds for operations related to the DDS contract, Community Placement Plan (CPP), and a federally funded program.

***FAIR VALUE OF FINANCIAL INSTRUMENTS***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of receivables and accounts payable approximate fair value because of the short maturity of these instruments.

***ESTIMATES***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***CLIENT TRUST FUNDS***

The Foundation serves as representative payee for a portion of its clients. In this fiduciary capacity, it receives social security benefits and other sources of income and makes payments on behalf of certain developmentally disabled clients who are deemed unable to administer the funds themselves. Client trust transactions are not considered revenue or expenses of the Foundation. The cash that is received and outstanding receivables, net of interfund liabilities, are reported as a liability, unexpended client support, until it is distributed.

***CONTRACT REIMBURSEMENT RECEIVABLE***

The majority of the Foundation's receivables represent or relate to the cost-reimbursement contract with DDS. Receivables are recorded at their net realizable value. The Foundation uses the allowance method to account for uncollectible receivables. As of June 30, 2021, management believes that the receivable is fully collectible and, therefore, has not provided an allowance for doubtful accounts.

***STATE EQUIPMENT***

Pursuant to the terms of the DDS contract, equipment purchases become the property of the State of California and, accordingly, are charged as expenses when incurred. The Foundation is required to track acquisitions of furniture and equipment with a cost of more than \$5,000 and have an estimated useful life of more than one year. For the year ended June 30, 2021, there was no new equipment purchases and there was no disposed equipment. The aggregate equipment costs at June 30, 2021, totaled \$432,441.

***ACCRUED VACATION AND OTHER LEAVE BENEFITS***

The Foundation has accrued a liability for leave benefits earned and for post-retirement benefits. However, such benefits are reimbursed under the DDS contract only when actually paid. The Foundation accrues vacation as earned up to 240 hours. When the employee separates from service, the employee will receive the unused vacation. The Foundation has also recorded a receivable from DDS for the accrued leave and post-retirement health benefits to reflect the future reimbursement of such benefits.

***DEFERRED RENT***

The Foundation leases office facilities under lease agreements that are subject to scheduled acceleration of rental payments. The scheduled rent increases are amortized evenly over the term of the lease in accordance with U.S. GAAP. The deferred rent liability of \$603,321 at

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***DEFERRED RENT (CONTINUED)***

June 30, 2021, represents the difference between the cash payments made and the amount expensed since inception of the lease. The DDS contract reimburses the Foundation for rent after it is paid and this amount is included in contract receivable on the statement of financial position.

***REVENUE RECOGNITION***

The Foundation coordinates through outside providers diagnostic and assessment of eligible services to persons with developmental disabilities and their families. The Foundation pays for these services and is reimbursed the same from DDS. The Foundation recognizes grants revenue from DDS at the point in time the services are provided and costs are incurred. Depending on the date of service, claims related to the DDS grant are classified and charged to the appropriate contract as follows:

- Current year
- Prior year
- Second prior year

The Foundation is also a sub-recipient to DDS with regard to the following federal grant:

***U.S. Department of Education***

The Office of Special Education Programs provides the Grants for Infants and Families, Part C, which provides funding for early intervention services for infants and toddlers, through age three, as authorized by Public Law 102-119.

This grant is conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. During the year ended June 30, 2021, the Foundation recognized grants revenue totaling \$1,716,695 from this award. Amounts earned and released within the same year under conditional awards are reported as increases in net assets without donor restrictions in the accompanying statement of activities.

Intermediate Care Facilities (ICF) revenue is reimbursements from Medicaid for day treatment and transportation services provided to patients. The Foundation recognizes intermediate care facility revenue at the point in time that the services are provided. Included in ICF revenue is ICF processing income, which represents fees earned from providing administrative functions for intermediate care facility providers, such as preparing billings,

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***REVENUE RECOGNITION (CONTINUED)***

submitting claims and paying the ICFs for the services. ICF processing income is computed as 1.5% of the total billings processed by the Foundation on behalf of the ICF providers during the fiscal year. During the year ended June 30, 2021, the Foundation recognized ICF processing income totaling \$29,478.

Interest and other income includes interest income and net transactions related to the bequest funds. Interest income is recognized when earned and revenue and expenses pertaining to the bequest funds are recognized when earned and incurred, respectively.

***INCOME TAXES***

The Foundation is a qualified organization exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code (IRC) and franchise taxes under §23701d of the California Revenue and Taxation Code. Accordingly, it is exempt from federal and California income taxes and is not liable for federal unemployment taxes.

Management evaluated the Foundation's tax positions and concluded that they maintained their tax exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The tax returns of the Foundation are subject to examination by federal and state taxing authorities; however, there are currently no examinations pending or in progress. It is the Foundation's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax or interest expense. As of June 30, 2021, the Foundation had no accruals for interest and/or penalties.

***DEFINED BENEFIT PENSION PLAN***

The Foundation participates in a defined benefit pension plan with the California Public Employees' Retirement System (CalPERS). The Foundation records the unfunded defined benefit pension liability on the statement of financial position and recognizes the changes in the funded status on the statement of activities in the year in which the change occurs.

The Foundation obtained the Governmental Accounting Standards Board (GASB) Statement 68 Accounting Valuation report from CalPERS for the year ended June 30, 2020. GASB No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statements No. 27 and 50*, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses of pensions

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***DEFINED BENEFIT PENSION PLAN (CONTINUED)***

that are provided by local government employers through pension plans that are administered through trusts that meet certain conditions. This report relies on liabilities and related validation work performed by the CalPERS' actuarial office as part of the June 30, 2020 annual funding valuation for the Plan. The June 30, 2020, liabilities, which were rolled forward to June 30, 2021, and used for this accounting valuation, are based on actuarial assumptions adopted by the CalPERS Board of Administration and consistent with the requirements of GASB No. 68. This GASB No. 68 actuarial reporting is not in conformity with U.S. GAAP.

***POST-RETIREMENT HEALTH CARE PLAN***

The Foundation is required to recognize the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation, in the statement of financial position, with an offsetting charge or credit to net assets. Gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost will be recognized each year as a separate charge or credit to net assets.

***FUNCTIONAL ALLOCATION OF EXPENSES***

The Foundation's sole program is to coordinate through outside providers diagnostic and assessment of eligible services to persons with developmental disabilities and plan, access, coordinate and monitor services to such individuals and their families. The cost of providing this program and supporting activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of the Foundation are reported as expenses of those functional areas. Salaries and fringe benefits are allocated to program and supporting service based on the employees' budgeted time allocation to program and supporting service areas. Shared costs have been allocated among the various functional areas benefited based on the budgeted time and effort in those functional areas or square footage occupied by the functional areas.

***CONCENTRATIONS OF CREDIT RISKS***

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, principally consist of cash and contract reimbursement receivable. The Foundation places cash in deposit accounts, which may at times, exceed the federally-insured limit. Through its contract with DDS, the Foundation is reimbursed for its expenses. The ability of DDS to honor its obligations and to continue funding is dependent upon the overall economic well-being of the State of California. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***SUMMARIZED COMPARATIVE FINANCIAL INFORMATION***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

***NEW ACCOUNTING STANDARDS TO BE ADOPTED***

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Entities that hold equipment and real estate leases, in particular those with operating leases, will be most affected by the new guidance. The amendments in ASU 2016-02 are expected to impact the statement of financial position by adding lease-related assets and liabilities. This may affect the compliance with contractual agreements and loan covenants. Current U.S. GAAP requires only capital (finance) leases to be recognized in the statement of financial position and amounts related to operating leases largely are reflected in the statement of activities as rent expense and in disclosure to the financial statements.

For operating leases, a lessee is required to do the following:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.
- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis.
- Classify all cash payments within operating activities in the statement of cash flows.

In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply.

An entity that elects to apply practical expedients will use the effective date of the new leases standard as the date of initial application and will not have to adjust their comparative period financial statements for the effects of the new leases standard, or make the new required lease disclosures for periods before the effective date. The new transition method changes when an entity initially applies the transition requirements of Topic 842; however, it does not change how those requirements are applied.



**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***NEW ACCOUNTING STANDARDS TO BE ADOPTED (CONTINUED)***

Entities that elect this transition option will include the disclosures that were required under Accounting Standards Codification (ASC) 840 for each comparative period presented in the financial statements prepared post-adoption, as well as the prior year annual balance sheet disclosures (e.g. operating and/or capital lease maturity tables). The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2021. Early application is permitted. Management is evaluating the impact of this new guidance.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The standard is effective for fiscal years beginning after December 31, 2022. The Foundation is evaluating the impact this will have on financial statements for the fiscal year ending June 30, 2024, the first year in which the standard is effective.

**NOTE 2 – CONTRACT REIMBURSEMENT RECEIVABLE**

Contract reimbursement receivable consists of the following at June 30, 2021:

Claims submitted:	
Current year	\$ 44,582,224
Prior year	2,296,225
Second prior year	(1,023,456)
Reimbursable expenses not yet submitted	<u>33,183,602</u>
<b>Total</b>	<b><u>\$ 79,038,595</u></b>

**NOTE 3 – INTERMEDIATE CARE FACILITIES – STATE PLAN AMENDMENT**

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

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

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 3 – INTERMEDIATE CARE FACILITIES – STATE PLAN AMENDMENT (CONTINUED)**

DDS directs the Foundation to prepare billings for these services on behalf of the ICFs. The billings include a 5.5% quality assurance fee for the State of Department of Health Care Services, a 1.5% administrative fee for the ICFs and a 1.5% administration fee for the Foundation.

Effective July 1, 2012, DDS directed the Foundation to prepare billings for these services on behalf of the ICFs and submit a separate state claim report for these services, in addition to paying the ICFs directly for their services. The Foundation was directed to reduce the amount of their regular state claim to DDS by the dollar amount of these services. Reimbursement for these services will be received from the ICFs. DDS advances the amount according to the state claim to the ICFs. The ICFs are then required to pass on the payments received, as well as the Foundation's administrative fee to the Foundation within 30 days of receipt of funds from the State Controller's Office.

The receivable from Intermediate Care Facilities in the amount of \$2,227,841 represents the amount DDS paid or will pay to the ICFs, net of the ICF administrative and Quality Assurance fees, in relation to the billings prepared beginning July 1, 2012, and the amount due to state of \$1,181,292, which includes \$1,123,682 for the amount expected to be paid net of the Foundation's fee in relation to the billings prepared on or before June 30, 2012. Revenue from intermediate care facilities totaled \$1,610,531 for the year ended June 30, 2021.

**NOTE 4 – LINE OF CREDIT**

The Foundation had a revolving line of credit with a bank that has a borrowing limit of up to \$40,000,000, which expired on June 30, 2021. On May 25, 2021, the Foundation entered into an amended line of credit agreement with the same bank to extend the maturity of the line of credit to June 30, 2022, and to decrease the borrowing limit to \$26,000,000. The line of credit is secured by the Foundation's state claims receivables. Borrowings under this line of credit bear interest at an annual rate equal to, at the Foundation's discretion, either (a) London Interbank Offering Rate (LIBOR) loan with interest at the greater of 2.25% or 2.50% above the LIBOR interest rate, or (b) prime loan with interest at the greater of 2.25% or 1.00% below the bank's prime rate, which was 2.25% during the year ended June 30, 2021. There was no balance outstanding as of June 30, 2021, and no draws made during the year ended June 30, 2021.

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 5 – CONTRACT ADVANCE**

Contract advance represents advances from DDS to the Foundation at the beginning of each fiscal year to provide interest-free working capital. DDS uses its discretion in determining the balance on a month-to-month basis. If DDS so chooses, the advance may be paid by offsetting the contract reimbursement receivable partially or in full. As of 2021, contract advance balance was \$59,936,124.

**NOTE 6 – DEFINED BENEFIT PENSION PLAN**

The Foundation adopted a defined benefit pension plan (the Pension Plan) covering substantially all employees by becoming a member of CalPERS. All employees are, immediately upon hire, enrolled in the Pension Plan. Participants are fully vested after five years of full-time service. For the year ended June 30, 2021, the Foundation contributed \$1,896,185 to CalPERS. The calculation of the pension liability is not in accordance with generally accepted accounting principles as applicable to not-for-profit organizations.

The Public Employees' Retirement Law (Part 3 of the California Government Code, §20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

The Foundation contributes to CalPERS for retirement benefits. CalPERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within California. Substantially all of the Foundation's employees participate in CalPERS.

The unfunded liability as of June 30, 2021, the most current actuarial valuation, was as follows:

Unfunded Defined Benefit Plan Liability	
Benefit obligation	\$ 83,971,950
Market value of assets	<u>(80,015,289)</u>
<b>Unfunded Defined Benefit Plan Liability</b>	<b><u>\$ 3,956,661</u></b>

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The reconciliation of the market value of assets is as follows:

*Reconciliation of the Market Value of Assets*

Balance at June 30, 2020	\$ 65,083,085
Contributions:	
Employer	1,896,185
Employee	1,036,543
Investment return	14,743,380
Benefit payments to retirees	(2,678,890)
Administrative expenses	<u>(65,014)</u>
<b>Balance at June 30, 2021</b>	<b><u>\$ 80,015,289</u></b>

Net periodic benefit cost consists of the following components for the year ended June 30, 2021:

Service cost	\$ 2,217,140
Interest cost	5,618,761
Recognized change in assumptions	984,241
Expected return on plan assets	(4,659,032)
Recognized change in earnings, net of expenses	(2,131,130)
Employee contributions	<u>(1,036,543)</u>
<b>Net Periodic Benefit Cost</b>	<b><u>\$ 993,437</u></b>

Expected long-term rate of return	7.0%
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The expected employer contributions to be paid to the Pension Plan during the next fiscal year is \$1,245,944.

The significant actuarial assumptions as of June 30, 2021, were as follows:

*Significant Actuarial Assumptions*

Discount rate	7.15%
Payroll growth	2.75%

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Sensitivity of the Unfunded Liability to Changes in the Discount Rate**

Increase of 1%	\$ (5,814,519)
Decrease of 1%	\$ 15,794,883

***Asset Allocation***

The asset allocation as of June 30, 2020, the most current actuarial valuation, is as follows:

Asset Class	Current Allocation	Target Allocation
Public equity	53%	50%
Global fixed income	28%	28%
Real assets	12%	13%
Private equity	6%	8%
Liquid assets	1%	1%
Other	0%	0%
 Total	 100%	 100%

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

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class.

The asset allocation and market value of assets shown above reflect the values of the Public Employees’ Retirement Fund (PERF) in its entirety as of June 30, 2021. The assets for the Foundation are part of the PERF and are invested accordingly.

For the year ended June 30, 2021, the actuarial computed employer and employee contribution rates are 8.39% and 6.92%, respectively.

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 7 – POST-RETIREMENT HEALTH CARE PLAN**

The Foundation provides noncontributory post-retirement health care benefits for its employees through the California Public Employees' Retirement System (the Health Care Plan). The actuarial cost method used for determining the benefit obligations is the Projected Unit Benefit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current active employees and retirees.

The Accumulated Post-Retirement Benefit Obligation (APBO) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The APBO equals the present value of projected benefits multiplied by a fraction equal to service to date over service at full eligibility age. The Net Periodic Benefit Cost is the cost of a post-retirement benefit plan for a fiscal year. The Foundation uses a June 30 measurement date for its plan.

***RECONCILIATION OF BENEFIT OBLIGATION***

The following tables provide a reconciliation of the changes in the Health Care Plan's benefit obligations and funded status as of June 30, 2021, and for the year then ended:

***Change in Benefit Obligation***

Balance at June 30, 2020	\$ 35,458,476
Service cost	1,326,564
Interest cost	870,264
Actuarial gain	(12,776,019)
Benefits paid	<u>(355,889)</u>
<b>Balance at June 30, 2021</b>	<b><u>\$ 24,523,396</u></b>

***Change in Plan Assets***

<b>Balance at June 30, 2020</b>	<b>\$ 2,537,654</b>
Actual return on plan assets	766,775
Employer contributions	355,889
Benefits paid	<u>(355,889)</u>
<b>Balance at June 30, 2021</b>	<b><u>\$ 3,304,429</u></b>
<b>Net Post-Retirement Health Care Plan Obligation</b>	<b><u>\$ 21,218,967</u></b>

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 7 – POST-RETIREMENT HEALTH CARE PLAN (CONTINUED)**

***RECONCILIATION OF BENEFIT OBLIGATION (CONTINUED)***

Net periodic post-retirement benefit cost consists of the following components for the year ended June 30, 2021:

Service cost	\$ 1,326,564
Interest cost	870,264
Return on assets	<u>(95,162)</u>
<b>Net Periodic Benefit Cost</b>	<b><u>\$ 2,101,666</u></b>

All previously unrecognized actuarial gains or losses are reflected in the statement of financial position. The Health Care Plan items not yet recognized as a component of periodic expenses, but included as a separate charge to net assets are as follows:

Prior service cost	\$ --
Actuarial gain	<u>(11,863,386)</u>
<b>Total</b>	<b><u>\$ (11,863,386)</u></b>

The Foundation has accrued a receivable as of June 30, 2021 from DDS totaling \$35,022,488 representing the portion of the Health Care Plan's obligation which has been recognized as a plan expense. The receivable is included in the due from state in the accompanying statement of financial position.

The accumulated benefit obligation as of June 30, 2001 of \$4,228,585 is being considered an unrecognized prior service cost and is being amortized on a straight-line basis over 19 years at \$222,557 per year.

***ASSUMPTIONS***

Assumptions used to determine benefit obligations as of June 30, 2021 are as follows:

Discount rate	2.75%
General inflation	2.75%
Long-term rate of return on plan assets	3.75%

The investment objective of the Health Care Plan is to provide a rate of return commensurate with a moderate degree of risk of loss of principal and return volatility. The assets of the Health Care Plan are periodically rebalanced to remain within the desired target allocations.

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 7 – POST-RETIREMENT HEALTH CARE PLAN (CONTINUED)**

*ASSUMPTIONS (CONTINUED)*

Historical rates of return for individual asset classes and future estimated returns are used to develop expected rates of return. These rates of return are applied to the Health Care Plan's investment policy to determine a range of expected returns.

Assumed health care cost trends as of June 30, 2021, are as follows:

Net periodic benefit cost:	
Health care cost trend rate assumed for next year	4.5%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	4.5%
Year that the rate reaches the ultimate trend rate	2026
Accumulated post-retirement benefit obligation:	
Health care cost trend rate assumed for next year	4.5%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	4.5%
Year that the rate reaches the ultimate trend rate	2026

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one percent change in assumed health care cost trend rates for June 30, 2021, would result in an increase of \$2,634,448 in service and interest costs or a decrease of \$1,854,716 in service and interest costs, resulting in an accumulated benefit obligation of \$28,919,762 and \$20,984,599, respectively.

*PLAN ASSETS*

The Health Care Plan's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's classification is based on the lowest level input that is significant to its measurement. The levels of the fair value hierarchy are as follows:

*Level 1*

Inputs are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.



**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
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**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 7 – POST-RETIREMENT HEALTH CARE PLAN (CONTINUED)**

***PLAN ASSETS (CONTINUED)***

***Level 2***

Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

***Level 3***

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Foundation’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following tables set forth the level, within the fair hierarchy, of the health care plan’s assets at fair value:

	Total Assets at Fair Value at June 30, 2021	Level 1	Level 2	Level 3
Mutual funds:				
Short-term bonds	\$ 2,479,362	\$ 2,479,362	\$ --	\$ --
Large growth	823,687	823,687	--	--
Large blend	1,380	1,380	--	--
	\$ 3,304,429	\$ 3,304,429	\$ --	\$ --

Mutual funds are valued using quoted market prices for identical assets in active markets.

***CASH FLOWS – ESTIMATED FUTURE BENEFIT PAYMENTS***

The following estimated benefit payments, which reflect expected future services, as appropriate, are expected to be paid during the years ending June 30:

For the Years Ending June 30,	Amount
2022	\$ 600,000
2023	637,000
2024	633,000
2025	688,000
2026	742,000
Years 2027 – 2032	4,915,000
<b>Total</b>	<b>\$ 8,215,000</b>

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 8 – UNEXPENDED CLIENT SUPPORT**

The Foundation functions as a custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of regional center clients. These cash balances are segregated from the operating cash accounts of the Foundation and are restricted for client support. Since the Foundation is acting as an agent in processing these transactions, no revenue or expense is reflected on the statement of activities. The following is a summary of the activity:

<b>Beginning Balance</b>	\$ 1,584,633
Client support received	8,486,673
Less: Purchase of service disbursements	<u>(7,690,584)</u>
<b>Ending Balance</b>	<u>\$ 2,380,722</u>

**NOTE 9 – TRANSACTIONS WITH AFFILIATES**

The Achievable Foundation is a California nonprofit corporation organized to support activities that enhance the lives of people with developmental disabilities and their families in the Foundation’s geographic service area. During the year ended June 30, 2013, The Achievable Foundation entered into an agreement to lease office space from the Foundation through 2026. The Foundation received rental income from The Achievable Foundation for the year ended June 30, 2021 totaling \$95,699.

**NOTE 10 – LEASE COMMITMENTS**

The Foundation leases office facilities and various equipment under operating leases expiring through April 2026. The facility leases require payment of minimum annual rentals, with adjustment for a pro rata share of the lessor’s increase in operating costs. Rental expense totaled \$1,714,518 for the year ended June 30, 2021.

The Foundation subleases office facilities to various tenants under non-cancelable operating leases that expire at various dates through April 2026. The lease agreements require specific monthly payments plus reimbursement of a percentage share of common operating expenses.

Future minimum rental payments to be made and received are as follows:

For the Years Ending December 31,	Total	Sublease	Net
2022	\$ 1,837,479	\$ (164,101)	\$ 1,673,378
2023	1,892,604	(143,409)	1,749,195
2024	1,949,381	(140,342)	1,809,039
2025	2,007,863	(107,710)	1,900,153
2026	<u>1,720,037</u>	<u>(91,991)</u>	<u>1,628,046</u>
<b>Total</b>	<u>\$ 9,407,364</u>	<u>\$ (647,553)</u>	<u>\$ 8,759,811</u>

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 10 – LEASE COMMITMENTS (CONTINUED)**

Total facility and equipment rental expense for the year ended June 30, 2021, totaled \$1,613,132 and \$101,386, respectively.

**NOTE 11 – AVAILABILITY AND LIQUIDITY**

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Foundation’s financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2021, were as follows:

Cash	\$ 14,869,701
Contract reimbursement receivable, net of contract advance	19,102,471
Accounts receivable from Intermediate Care Facilities	2,227,841
Other receivables	<u>492,142</u>
<b>Financial Assets Available to Meet General Expenditures Within One Year</b>	<b><u>\$ 36,692,155</u></b>

The Foundation has various sources of liquidity at its disposal, including cash and receivables which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Foundation throughout the year. This is done through monitoring and reviewing the Foundation’s cash flow needs on a daily basis. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit of \$26,000,000, of which all was unused and available to draw upon as of June 30, 2021.

**NOTE 12 – RISK AND CONTINGENCIES**

The majority of the Foundation’s funding is provided under annual grants and contracts with federal and California agencies. If a significant reduction in the level of funding provided by these governmental agencies were to occur, it may have an effect on the Foundation’s programs and activities.

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

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 12 – RISK AND CONTINGENCIES (CONTINUED)**

State Legislature and recommend actions to secure additional funds or reduce expenditures. DDS recommendations are subsequently reviewed by the Governor and the Legislature and a decision is made with regard to specific actions, including the possible suspension of the entitlement.

The Foundation's revenue, which is derived from restricted funding provided by government grants and contracts, is subject to audit by the governmental agencies. In accordance with the terms of the DDS contract, an audit may be performed by an authorized DDS representative. Should such an audit disclose any unallowed costs, the Foundation may be liable to the State of California for reimbursement of such costs. In the opinion of the Foundation's management, the effect of any disallowed costs would be immaterial to the financial statements as of June 30, 2021, and for the year then ended.

The Foundation has elected to finance its unemployment insurance using the prorated cost of benefits method. Under this method, the Foundation is required to directly reimburse the State of California for benefits paid to its former employees. At June 30, 2021, the Foundation had \$228,320 in a reserve savings account to pay for any potential unemployment claims.

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 Foundation 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 Foundation has been able to continue to provide services to its consumers working both remotely and on-site with limited staff in the office, following directives issued by DDS that specify the services to be provided and the process for providers to bill during the pandemic and State of Emergency. At this point, the full extent to which COVID-19 will impact the Foundation's operations is uncertain.

**NOTE 13 – LEGAL MATTERS**

The Foundation is currently a defendant in several litigious actions, in addition to threats of litigation arising out of the normal course of operations. The Foundation's management believes it has adequate defenses and insurance coverage for these actions and, thus, has made no provision in the financial statements for any costs relating to the settlement of such claims. These matters have been referred to the Foundation's attorneys and/or insurance carriers. In management's opinion, material unfavorable outcomes are remote.

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 14 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 30, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION**  
**dba WESTSIDE REGIONAL CENTER**

**SCHEDULE OF PURCHASE OF SERVICES EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2021**

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<b>Residential Care Facilities</b>	
Community care facility	\$ 54,458,788
ICF/Skilled nursing facility	<u>268,004</u>
<b>Total Residential Care Facilities</b>	<u>\$ 54,726,792</u>
<b>Day Programs</b>	<u>\$ 22,207,187</u>
<b>Other Purchased Services</b>	
Nonmedical:	
Programs	\$ 46,154,867
Professional	9,308,648
Respite	18,933,488
Prevention services	8,862,545
Medical care:	
Professional	8,568,000
Programs	231,939
Transportation	4,464,735
Home and hospital care programs	651,107
Medical equipment	101,399
Personal and incidental	37,446
Other authorized services	<u>116,151,402</u>
<b>Total Other Purchased Services</b>	<u>\$ 213,465,576</u>

*See independent auditors' report.*

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

To the Board of Directors of  
**Coastal Developmental Services Foundation  
dba Westside Regional Center**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Coastal Developmental Services Foundation dba Westside Regional Center (the Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our qualified report thereon dated March 30, 2022. Our report was qualified due to the computation of the Foundation's accrued pension benefit liability and related expense not being in accordance with accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Foundation'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

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

*Marcum LLP*

Washington, DC  
March 30, 2022



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

To the Board of Directors of  
**Coastal Developmental Services Foundation**  
**dba Westside Regional Center**

***Report on Compliance for Each Major Federal Program***

We have audited Coastal Developmental Services Foundation's dba Westside Regional Center (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2021. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal 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 Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

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

### ***Report on Internal Control Over Compliance***

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

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

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

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

*Marcum LLP*

Washington, DC  
March 30, 2022

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
Office of Special Education and Rehabilitative Services of the U.S. Department of Education passed-through to State of California Department of Developmental Services:				
Early Intervention Services:				
Special Education – Grants for Infants and Families	84.181	HD199003	\$           --	\$ 1,716,695
<b>Total Expenditures of Federal Awards</b>			<u>\$           --</u>	<u>\$ 1,716,695</u>

*See independent auditors' report and notes to the schedule of expenditures of federal awards.*

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activities of Coastal Developmental Services Foundation dba Westside Regional Center (the Foundation). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Foundation.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 – INDIRECT COST RATE**

The Foundation elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of report the auditor issued on whether financial statements audited were prepared in accordance with GAAP:

***Modified***

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X  

Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None Reported

None compliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None Reported

Type of auditors’ report issued on compliance for major federal programs:

***Unmodified***

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)? \_\_\_\_\_ Yes   X   No

Identification of Major Federal Programs:

<u><b>Name of Federal Program or Cluster</b></u>	<u><b>Assistance Listing Numbers</b></u>
Special Education – Grants for Infants and Families	84.181

Dollar threshold used to distinguish between Type A and Type B programs: \$   750,000  

Auditee qualified as a low-risk auditee? \_\_\_\_\_ Yes   X   No

**COASTAL DEVELOPMENTAL SERVICES FOUNDATION  
dba WESTSIDE REGIONAL CENTER**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None required to be reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None required to be reported.

**SECTION IV – SUMMARY OF PRIOR YEAR FINDINGS**

Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.