

COASTAL DEVELOPMENTAL SERVICES FOUNDATION
DBA

WESTSIDE REGIONAL CENTER

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED INFORMATION FOR THE
YEAR ENDED JUNE 30, 2021

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022
With Summarized Information for the Year Ended June 30, 2021

TABLE OF CONTENTS

	Page
Independent Auditor’s Report.....	1
Statement of Financial Position.....	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows.....	7
Notes to Financial Statements	8
Supplementary Information.....	22
Schedule of Purchases of Services Expense	23
Schedule of Expenditures of Federal Awards	24
Notes to the Schedule of Expenditures of Federal Awards	25
Schedule of Findings and Questioned Costs	26
Independent Auditor’s 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>	27
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	29

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Board of Directors
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Westside Regional Center
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INDEPENDENT AUDITOR’S REPORT

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Coastal Developmental Services Foundation, dba Westside Regional Center, a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Coastal Developmental Services Foundation, dba Westside Regional Center as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Coastal Developmental Services Foundation, dba Westside Regional Center 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’ funder 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, Coastal Developmental Services Foundation, dba Westside Regional Center 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. Coastal Developmental Services Foundation, dba Westside Regional Center 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 Coastal Developmental Services Foundation, dba Westside Regional Center unfunded status by other auditing procedures.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Coastal Developmental Services Foundation, dba Westside Regional Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Coastal Developmental Services Foundation, dba Westside Regional Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Coastal Developmental Services Foundation, dba Westside Regional Center's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 23 is presented for the purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 24, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 12, 2023 on our consideration of Coastal Developmental Services Foundation, dba Westside Regional Center'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 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 Coastal Developmental Services Foundation, dba Westside Regional Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Coastal Developmental Services Foundation, dba Westside Regional Center's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Coastal Developmental Services Foundation, dba Westside Regional Center as of June 30, 2021 were audited by other auditors, whose report dated March 30, 2022, expressed a qualified opinion on those statements.

Lindquist, von Husen and Joyce LLP

July 12, 2023

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

With Summarized Comparative Information at June 30, 2021

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 28,846,773	\$ 14,869,701
Cash – client trust funds (Note 9)	2,109,936	2,380,722
Receivables:		
Contract reimbursement receivable (Note 3)	97,493,317	79,038,595
Other receivables	555,758	492,142
Receivable from Intermediate Care Facilities (Note 4)	1,828,252	2,227,841
Due from State	50,379,054	38,979,149
Other assets	147,242	147,242
Total assets	\$ 181,360,332	\$ 138,135,392
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 39,137,869	\$ 36,777,805
Accrued vacation and other leave benefits	1,803,396	1,869,708
Contract advance (Note 6)	89,835,971	59,936,124
Due to State	1,181,291	1,181,292
Unfunded defined benefit plan liability (Note 7)	17,995,702	3,956,661
Post-retirement health care plan obligation (Note 8)	16,014,333	21,218,967
Deferred rent liability	897,825	603,321
Unexpended client support (Note 9)	2,109,936	2,380,722
Total liabilities	168,976,323	127,924,600
Net assets:		
Without donor restrictions	12,384,009	10,210,792
Total net assets	12,384,009	10,210,792
Total liabilities and net assets	\$ 181,360,332	\$ 138,135,392

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

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

With Summarized Comparative Information for the Year Ended June 30, 2021

	2022	2021
Support and revenue:		
Grants – State DDS	\$ 337,955,836	\$ 300,650,627
Grants – Federal	1,738,589	1,716,695
Intermediate Care Facilities (ICF)	1,343,752	1,610,531
Interest	4,455	30,825
Other income	123,880	128,007
	341,166,512	304,136,685
Expenses:		
Program services:		
Direct client services	303,554,593	290,399,557
Operating	17,223,838	18,398,366
Supporting services:		
Management and general	8,060,889	8,490,704
	328,839,320	317,288,627
Change in net assets from operations	12,327,192	(13,151,942)
Health plan-related changes other than net periodic post-retirement benefit cost	3,885,066	13,803,521
Change in defined benefit plan liability	(14,039,041)	9,672,778
Change in net assets	2,173,217	10,324,357
Net assets, beginning of year	10,210,792	(113,565)
Net assets, end of year	\$ 12,384,009	\$ 10,210,792

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

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

With Summarized Comparative Information for the Year Ended June 30, 2021

	2022			2021
	<i>Program Services</i>	<i>Management and General</i>	<i>Total</i>	<i>Total</i>
Salaries and related expenses:				
Salaries	\$ 10,612,441	\$ 4,767,908	\$ 15,380,349	\$ 15,982,108
Employee health and retirement benefits	3,892,496	1,748,803	5,641,299	6,904,554
Payroll taxes	150,735	67,722	218,457	268,515
Total salaries and related expenses	14,655,672	6,584,433	21,240,105	23,155,177
Purchase of services:				
Residential care facilities	60,086,321	-	60,086,321	54,726,791
Day programs	22,884,912	-	22,884,912	22,207,188
Other purchased services	220,583,360	-	220,583,360	213,465,578
Facility rent	1,181,547	530,840	1,712,387	1,613,132
Equipment and facility maintenance	340,371	152,921	493,292	436,739
Consultant fees	281,345	126,402	407,747	224,601
Legal fees	245,743	110,406	356,149	257,991
General expenses	214,923	96,560	311,483	333,758
Communication	198,041	88,975	287,016	192,272
Insurance		174,960	174,960	151,458
Printing	98,840	44,406	143,246	17,854
Accounting fees	-	76,726	76,726	92,572
Dues		69,347	69,347	68,589
Equipment rental	41,303	18,556	59,859	101,386
Staff travel	17,247	2,352	19,599	5,259
Equipment purchases	12,613	5,667	18,280	96,269
General office expenses	(63,807)	(22,419)	(86,226)	140,422
Interest	-	757	757	1,591
Total expenses	\$ 320,778,431	\$ 8,060,889	\$ 328,839,320	\$ 317,288,627

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

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

With Summarized Information for the Year Ended June 30, 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 2,173,217	\$ 10,324,357
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in defined benefit plan liability	14,039,041	(9,672,778)
Changes in post-retirement health care plan obligation	(5,204,634)	(11,701,855)
(Increase) decrease in assets:		
Contract reimbursement receivable	(18,454,722)	621,258
Other receivables	(63,616)	(15,876)
Receivable from Intermediate Care Facilities	399,589	394,078
Due from State	(11,399,905)	7,121,469
Other assets	-	(8,452)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,360,064	6,553,931
Accrued vacation and other leave benefits	(66,312)	196,694
Due to State	(1)	(43,188)
Deferred rent liability	294,504	37,566
Unexpended client support	(270,786)	796,089
	(16,193,561)	4,603,293
Cash flows from financing activities:		
Proceeds from (payments of) contract advance – net	29,899,847	(5,389,928)
	29,899,847	(5,389,928)
Increase (decrease) in cash	13,706,286	(786,635)
Cash, beginning of year	17,250,423	18,037,058
Cash, end of year	\$ 30,956,709	\$ 17,250,423
Cash	\$ 28,846,773	\$ 14,869,701
Cash – client trust funds	2,109,936	2,380,722
Total cash shown in the statements of cash flows	\$ 30,956,709	\$ 17,250,423

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

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Coastal Developmental Services Foundation dba Westside Regional Center (the Center) 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) for the purpose of operating the Center and related activities. The Center 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. In accordance with the Lanterman Act, the Center 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 Center is one of 21 regional centers within the State of California system and serves the two health districts of Inglewood and Santa Monica-West.

The Lanterman Act includes governance provisions regarding the composition of the Center’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% of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25% of the members of the governing board shall be persons with developmental disabilities. In addition, a member of a required advisory committee composed of persons representing the various categories of providers from which the Center purchases client services, shall serve as a member of the board. To comply with the Lanterman Act, the Center’s board of directors includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Center and a client service provider of the Center.

The Center’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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

State of California Contract

The Center operates under an annual cost-reimbursement contract with DDS under the Lanterman Act. The maximum expenditures under the contract are limited to the contract allocation, plus Intermediate Care Facility-State Plan Amendment (ICF-SPA) income, ICF-SPA administrative fee, and interest earned. The Center is required to maintain accounting records in accordance with the Regional Center Fiscal Manual, issued by DDS, and is required to have DDS approval for certain expenses. In the event of termination or nonrenewal of the contract, the State of California maintains the right to assume control of the Center’s operation and the obligation of its liabilities.

Under the terms of these DDS contracts, funded expenditures are not to exceed \$363,925,376, \$345,169,799 and \$285,547,468, for the FY 2021-2022, FY 2020-2021, and FY 2019-2020, contract years, respectively, and are subject to budget amendments. As of June 30, 2022, actual net expenditures under the FY 2021-2022, FY 2020-2021, and FY 2019-2020 contracts were \$297,618,898, \$316,153,646 and \$245,409,270, respectively. The unexpended balance under these contracts amounting to \$66,306,478, \$29,016,153, and \$40,138,198 for the FY 2021-2022, FY 2020-2021, and FY 2019-2020 contract years, represents a conditional contribution that will be used to fund expenditures in the next fiscal years until the contract amounts are fully expended or expire. The Center can bill DDS in the future for expenses relating to previous fiscal years if the expenses billed relate to the previous fiscal year. As a result, the Center internally tracks revenue by current year, previous year and second previous year.

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Accounting Method

The Center uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Center reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Center.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. 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. When a donor restriction expires – that is, when a stipulated time restrictions ends or purpose restriction is accomplished – 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*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

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

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Revenue Recognition:

Contributions

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), 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. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as support without donor restrictions.

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Government contracts, which are funded on a reimbursement basis, are shown as revenue without donor restriction. A portion of the Center's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions.

Governmental contract revenue represents unconditional contributions to the extent that reimbursable costs have been incurred. The excess unexpended balance of the governmental contracts represents a conditional contribution.

Federal Grants

U.S. Department of Education

The Center is a sub-recipient to DDS with regard to the Special Education Grants for Infants and Families, Part C, which provides funding for early intervention services for infants and toddlers, through age 3, 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, 2022, the Center recognized grants revenue totaling \$1,738,589 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 statements of activities.

Intermediate Care Facilities (ICF) revenue is reimbursements from Medicaid for day treatment and transportation services provided to patients. The Center 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, submitting claims and paying the ICFs for the services. ICF processing income is computed as 1.5% of the total billings processed by the Center on behalf of the ICF providers during the fiscal year. During the year ended June 30, 2022, the Center recognized ICF processing income totaling \$25,763.

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.

Cash and Restricted Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Restricted cash are funds restricted as to their use, regardless of liquidity, such as client trust funds. The Center occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted cash, was approximately \$31,036,000 as of June 30, 2022. The Center has not experienced any losses in such accounts.

Client Trust Funds

The Center 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 Center. The cash that is received and outstanding receivables, net of interfund liabilities, are reported as a liability, unexpended client support, until it is distributed.

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Contract and Other Receivables

The majority of the Center's receivables represents or relates to the cost-reimbursement contract with DDS. Receivables are recorded at their net realizable value. The Center uses the allowance method to account for uncollectible receivables. Management believes that the receivables are fully collectible and, therefore, has not provided an allowance for doubtful accounts as of June 30, 2022.

State Equipment

State Equipment is stated at cost of acquisition. 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 Center expenses the cost of equipment upon acquisition if purchased with funds from the DDS contract in accordance with the Regional Center Fiscal Manual. This departure from accounting principles generally accepted in the United States of America does not have a material impact on the financial statements. The Center capitalizes items which cost more than \$5,000 and have an estimated useful life of more than one year.

For the year ended June 30, 2022, State Equipment purchases totaled \$97,836 and there was no disposed equipment. The capitalized equipment and reciprocating offset account at June 30, 2022 totaled \$530,277.

Accrued Vacation, Sick and Other Leave Benefits

The Center has accrued a liability for vacation and sick leave benefits earned by employees which is reimbursable under the DDS contract, and for post-retirement benefits. However, such benefits are reimbursed under the DDS contract only when actually paid. The Center accrues vacation as earned up to 240 hours. When the employee separates from service, the employee will not receive the unused vacation. The Center 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 Center leases office facilities under lease agreements that are subject to scheduled acceleration of rental payments. The scheduled rent increases are amortized evenly over the term of the lease in accordance with U.S. GAAP. The deferred rent liability of \$897,825 at June 30, 2022 represents the difference between the cash payments made and the amount expensed since inception of the lease. The DDS contract reimburses the Center for rent after it is paid and this amount is included in contract receivable on the statement of financial position.

Income Taxes

The Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections. Contributions to the Center qualify for the charitable contribution deduction.

The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Center's federal and state information returns for the years 2018 through 2021 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Defined Benefit Pension Plan

The Center participates in a defined benefit pension plan with the California Public Employees' Retirement System (CalPERS). The Center 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.

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

The Center 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 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, 2021 annual funding valuation for the Plan. The June 30, 2021, liabilities, which were rolled forward to June 30, 2022, 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 Center 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 Expenses Allocation

The costs of providing program and supporting services are summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributed to a specific functional area of the Center are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Shared costs are generally allocated among the program and supporting service benefited based on an analysis of personnel time and square footage occupied by the program and supporting services.

Subsequent Events

Management has evaluated subsequent events through July 12, 2023, the date on which the financial statements were available to be issued.

NOTE 3 – CONTRACT REIMBURSEMENT RECEIVABLE

Contract reimbursement receivable at June 30, 2022 is summarized as follows:

Claims submitted:	
Current year	\$ 60,000,977
Prior year	951,629
Second prior year	(311,321)
Reimbursable expenses not yet submitted	<u>36,852,032</u>
Total	<u><u>\$ 97,493,317</u></u>

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 – 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.

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

Effective July 1, 2012, DDS directed the Center 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 ICF directly for their services. The Center 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 Center’s administrative fee to the Center 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 \$1,343,752 for the year ended June 30, 2022.

The Center’s activity related to the above funding at June 30, 2022 is summarized, as follows:

Receivable from ICF, beginning	\$ 2,227,841
Total billed from vendors	1,572,279
Amount remitted by vendors	<u>(1,971,868)</u>
Receivable from ICF, ending	<u><u>\$ 1,828,252</u></u>

NOTE 5 – LINE OF CREDIT

The Center had a revolving line of credit with a bank that has a borrowing limit of up to \$26,000,000, which expired on June 30, 2022. On June 15, 2022, the Center entered into an amended line of credit agreement with the same bank to extend the maturity of the line of credit to June 30, 2023, and to increase the borrowing limit to \$30,000,000. The line of credit is secured by the Center’s state claims receivables. Borrowings under this line of credit bear interest at an annual rate equal to the greater of (a) two and one-quarter percent (2.25%) per year, or (b) the “Prime Rate” of the bank, as it exists from time to time minus one percent (-1.00%) per year. Prime rate shall mean the rate most recently announced by the bank at its principal office. There was no balance outstanding as of June 30, 2022, and no draws made during the year ended June 30, 2022.

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 – CONTRACT ADVANCES

Contract advances represents funds DDS advances to the Center 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 advances may be paid by offsetting the contract reimbursement receivable partially or in full, or require the Center to make a repayment to DDS. As of June 30, 2022, the contract advances balance totaled \$89,835,971.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

The Center 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, 2022, the Center contributed \$2,007,156 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 Center 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 Center’s employees participate in CalPERS.

The unfunded liability as of June 30, 2022, the most current actuarial valuation, was as follows:

Unfunded Defined Benefit Plan Liability Benefit obligation	\$ 92,011,213
Market value of assets	<u>(74,015,511)</u>
Unfunded Defined Benefit Plan Liability	<u>\$ 17,995,702</u>

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

<i>Reconciliation of the Market Value of Assets</i>	
Balance at June 30, 2021	\$ 80,015,289
Contributions:	
Employer	2,007,156
Employee	1,024,004
Investment return	(6,041,976)
Benefit payments to retirees	(2,939,117)
Administrative expenses	<u>(49,845)</u>
Balance at June 30, 2022	<u>\$ 74,015,511</u>

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Net periodic benefit cost consists of the following components for the year ended June 30, 2022:

Service cost	\$ 2,450,825
Interest cost	5,954,742
Recognized change in assumptions	1,436,977
Expected return on plan assets	(5,521,562)
Recognized change in earnings, net of expenses	549,032
Employee contributions	<u>(1,024,004)</u>
Net Periodic Benefit Cost	<u>\$ 3,846,010</u>
Expected long-term rate of return	6.8%

The expected employer contributions to be paid to the Pension Plan during the next fiscal year is \$1,320,469.

The significant actuarial assumptions as of June 30, 2022, were as follows:

Significant Actuarial Assumptions

Discount rate	6.90%
Payroll growth	2.80%

Sensitivity of the Unfunded Liability to Changes in the Discount Rate

Increase of 1%	\$ 6,730,231
Decrease of 1%	\$ 31,706,662

Asset Allocation

The asset allocation as of June 30, 2022, the most current actuarial valuation, is as follows:

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Target Allocation</u>
Public equity	51.4%	50.0%
Private equity	8.3%	8.0%
Global fixed income	29.8%	28.0%
Real assets	9.6%	13.0%
Liquid assets	1.0%	1.0%
Total fund level portfolios	2.5%	0.0%
Trust level financing	(2.6%)	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.

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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, 2022. The assets for the Center are part of the PERF and are invested accordingly.

For the year ended June 30, 2022, the actuarial computed employer and employee contribution rates are 8.27% and 6.90%, respectively.

NOTE 8 – POST-RETIREMENT HEALTH CARE PLAN

The Center 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 postretirement benefit plan for a fiscal year. The Center 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, 2022, and for the year then ended:

Change in Benefit Obligation

Balance at June 30, 2021	\$ 24,523,396
Service cost	238,089
Interest cost	652,517
Actuarial gain	(5,768,966)
Benefits paid	<u>(751,038)</u>
Balance at June 30, 2022	<u>\$ 18,893,998</u>

Change in Plan Assets

Balance at June 30, 2021	\$ 3,304,429
Actual return on plan assets	(424,764)
Employer contributions	-
Benefits paid	<u>-</u>
Balance at June 30, 2022	<u>\$ 2,879,665</u>
Net Post-Retirement Health Care Plan Obligation	<u>\$ 16,014,333</u>

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Net periodic post-retirement benefit cost consists of the following components for the year ended June 30, 2022:

Service cost	\$ 238,089
Interest cost	652,517
Return on assets	424,764
Net asset gain (loss)	(589,985)
Amortization of net loss	<u>(2,044,953)</u>
 Net Periodic Benefit Cost	 <u><u>\$ (1,319,568)</u></u>

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>(14,997,414)</u>
 Total	 <u><u>\$ (14,997,414)</u></u>

The Center has accrued a receivable as of June 30, 2022 from DDS totaling \$19,899,399 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, 2022 are as follows:

Discount rate	4.48%
General inflation	2.98%
Long-term rate of return on plan assets	N/A%

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.

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.

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Assumed health care cost trends as of June 30, 2022, 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	2031
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	2031

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, 2022, would result in an increase of \$2,827,787 in service and interest costs or a decrease of \$(2,346,017) in service and interest costs, resulting in an accumulated benefit obligation of \$21,721,785 and \$16,547,981, 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.

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:

	<i>Total Assets at Fair Value at June 30, 2022</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Mutual funds:				
Short-term bonds	\$ 2,126,264	\$ 2,126,264	\$ -	\$ -
Large growth	752,018	752,018	-	-
Large blend	1,383	1,383	-	-
	<u>\$ 2,879,665</u>	<u>\$ 2,879,665</u>	<u>\$ -</u>	<u>\$ -</u>

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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:

<i>For the Years Ending June 30,</i>	<i>Amount</i>
2023	\$ 725,000
2024	721,000
2025	1,149,000
2026	1,189,000
Years 2027 - 2032	8,109,000
 Total	 \$ 11,893,000

NOTE 9 – UNEXPENDED CLIENT SUPPORT

The Center 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 Center and are restricted for client support. Since the Center 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:

Beginning Balance	\$ 2,380,722
Client support received	7,618,217
Less: Purchase of service disbursements	(7,889,003)
 Ending Balance	 \$ 2,109,936

NOTE 10 – 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 Center’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, 2022 totaling \$98,566.

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 11 – LEASE COMMITMENTS

The Center 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.

The Center 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:

<i>For the Years Ending December 31,</i>	<i>Total</i>	<i>Sublease</i>	<i>Net</i>
2023	\$ 2,084,922	\$ (169,010)	\$ 1,915,912
2024	2,147,476	(162,212)	1,985,264
2025	2,211,902	(107,708)	2,104,194
2026	1,889,110	(91,990)	1,797,120
Total	<u>\$ 8,333,410</u>	<u>\$ (530,920)</u>	<u>\$ 7,802,490</u>

Total facility and equipment rental expense for the year ended June 30, 2022, totaled \$1,712,387.

NOTE 12 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the statement of financial position at June 30, 2022 comprise the following:

Financial assets at end of year available within one year:	
Cash	\$ 28,846,773
Contract reimbursement receivable, net of contract advance	7,657,346
Accounts receivable from Intermediate Care Facilities	1,828,252
Other receivables	<u>555,758</u>
	38,888,129
Less financial assets not available for general expenditures:	
Net assets with donor restrictions for specific purposes	<u>-</u>
Financial assets available for general expenditures within one year	<u>\$ 38,888,129</u>

Financial assets include amounts that will be used to pay accounts payable, accrued expenses and other distributions from operating cash flow, if any, in the subsequent year. The Center 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 Center throughout the year. This is done through monitoring and reviewing the Center's cash flow needs on a daily basis. To help manage unanticipated liquidity needs, the Center has a committed line of credit of \$30,000,000, of which all was unused and available to draw upon as of June 30, 2022.

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

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

The Center’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 unallowable costs, the Center may be liable to the State of California for reimbursement of such costs. In the opinion of the Center’s management, the effect of any disallowed costs would be immaterial to the financial statements as of June 30, 2022.

The Center has elected to finance its unemployment insurance using the prorated cost of benefits method. Under this method, the Center is required to directly reimburse the State of California for benefits paid to its former employees. At June 30, 2022, the Center had \$228,342 in a reserve savings account to pay for any potential unemployment claims.

COVID-19 Pandemic

The emergence and spread of the coronavirus (COVID-19) has affected businesses and economic activities in the U.S. and beyond. The extent of the impact of COVID-19 on the Center’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effects on residents, supply chains, service providers, business partners, and changes in business practices, all of which are uncertain and cannot be determined at this time.

NOTE 14 – LEGAL MATTERS

The Center is involved in various claims and legal actions in the normal course of business. Based upon counsel and management’s opinion, the resolution of such matters is either covered by insurance or will not have a material adverse effect on the financial position, result of operation or cash flows.

SUPPLEMENTARY INFORMATION

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF PURCHASES OF SERVICES EXPENSE
YEAR ENDED JUNE 30, 2022

Residential care facilities:	
Community care facility	\$ 59,928,463
ICF/Skilled nursing facility	<u>157,858</u>
Total residential care facilities	<u>\$ 60,086,321</u>
Day programs	<u>\$ 22,884,912</u>
Other purchased services:	
Nonmedical:	
Programs	\$ 40,051,838
Professional	9,833,702
Respite	20,179,213
Prevention services	8,911,750
Medical care:	
Professional	12,485,836
Programs	382,011
Transportation	4,557,457
Home and hospital care programs	466,638
Medical equipment	88,845
Personal and incidental	42,507
Other authorized services	<u>123,583,563</u>
Total other purchased services	<u>\$ 220,583,360</u>

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

<i>Federal Grantor/Pass-Through Grantor/ Program Title</i>	<i>Assistance Listing Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
<u>U.S. Department of Education:</u>				
Special Education – Grants for Infants and Families Passed through State of California Department of Developmental Services Early Intervention Services	84.181	HD199003	\$ 1,738,589	\$ -
<u>U.S. Department of Health and Human Services</u> <u>Health Resources and Services Administration:</u>				
Provider Relief Fund (PRF) COVID-19 direct award	93.498	N/A	720,225	-
TOTAL FEDERAL AWARDS			<u>\$ 2,458,814</u>	<u>\$ -</u>

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant and loan activities of Westside Regional Center and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The purpose of the Schedule is to present a summary of those activities of Westside Regional Center for the year ended June 30, 2022, which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between Westside Regional Center and the federal government. Westside Regional Center did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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.

Coastal Developmental Services Foundation, dba
WESTSIDE REGIONAL CENTER
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Modified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	_____ Yes	_____ <u>X</u> No
Identification of major programs:	<u>Name of Federal Program or Cluster</u>	
ALN 84.181	Special Education – Grants for Infants and Families	
ALN 93.498	Provider Relief Fund	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ No

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

None noted.



CHARLOTTE SIEW-KUN TAY

CATHY L. HWANG

RITA B. DELA CRUZ

SCOTT K. SMITH

CRISANTO S. FRANCISCO

JOE F. HUIE

SHERMAN G. LEONG

KYLE F. GANLEY

Board of Directors
Westside Regional Center
Culver City, California

**INDEPENDENT AUDITOR'S 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**

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 Westside Regional Center, which comprise the statement of financial position as of June 30, 2022, 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 July 12, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Lindquist, von Husen and Joyce LLP

July 12, 2023



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Westside Regional Center
Culver City, California

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Westside Regional Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Westside Regional Center's major federal programs for the year ended June 30, 2022. Westside Regional Center's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Westside Regional Center 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 programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Westside Regional Center' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Westside Regional Center' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Westside Regional Center' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Lindquist, von Husen and Joyce LLP

July 12, 2023