

Alta California Regional Center, Inc.

Sacramento, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2018



Alta California Regional Center, Inc.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Alta California Regional Center, Inc., a California nonprofit corporation (the Organization), which comprises the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Aiello, Goodrich & Teuscher

January 9, 2019

Aiello, Goodrich & Teuscher

An Accountancy Corporation

Redding, California

FINANCIAL SECTION

Alta California Regional Center, Inc.
STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

Cash and cash equivalents	\$ 13,273,026
Cash donor unrestricted	224,600
Cash donor restricted	161,828
Receivable - State Regional Center contracts	81,122,825
Receivable - Intermediate Care Facility providers	2,679,444
Due from State - accrued pension obligation	24,995,742
Due from State - accrued vacation leave benefits	3,005,362
Due from State - deferred rent	2,271,364
Prepaid expenses and other assets	885,254

TOTAL ASSETS \$ 128,619,445

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 36,376,358
Advance - State Regional Center contracts	60,325,916
Accrued and other liabilities	621,933
Accrued pension obligation	24,995,742
Accrued vacation leave benefits	3,005,362
Deferred rent	2,271,364
Due to State - Intermediate Care Facility	636,342

Total Liabilities 128,233,017

Net Assets

Unrestricted:	
Undesignated	224,600
Temporarily restricted	161,828

Total Net Assets 386,428

TOTAL LIABILITIES AND NET ASSETS \$ 128,619,445

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

Alta California Regional Center, Inc.
STATEMENT OF ACTIVITIES

Year Ended June 30, 2018	Unrestricted	Temporarily Restricted	Total
REVENUE			
State Regional Center contracts	\$ 412,560,717	\$ -	\$ 412,560,717
Intermediate Care Facility supplemental services income	4,993,761	-	4,993,761
Intermediate Care Facility administrative fee	77,767	-	77,767
Interest income	182,246	-	182,246
TOTAL REVENUE	417,814,491	-	417,814,491
EXPENSES			
Program Services			
Client services	412,315,444	-	412,315,444
Supporting Services			
Management and general	5,510,752	-	5,510,752
TOTAL EXPENSES	417,826,196	-	417,826,196
Changes in Net Assets	(11,705)	-	(11,705)
Net Assets - Beginning of Year	236,305	161,828	398,133
Net Assets - End of Year	\$ 224,600	\$ 161,828	\$ 386,428

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

Alta California Regional Center, Inc.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018	Program Services	Supporting Services	Total Expenses
	Client Services	Management and General	
Salaries	\$ 27,363,277	\$ 3,408,326	\$ 30,771,603
Employee health and retirement benefits	8,266,037	1,156,900	9,422,937
Payroll taxes	465,589	56,987	522,576
Total Salaries and Related Expenses	36,094,903	4,622,213	40,717,116
Purchase of services:			
Other purchased services	203,101,211	-	203,101,211
Living out-of-home	88,532,296	-	88,532,296
Day program	79,447,324	-	79,447,324
Facility rent	2,344,380	295,598	2,639,978
Office expenses	645,118	139,631	784,749
Travel	615,474	12,256	627,730
Data processing	221,572	26,063	247,635
Insurance	220,425	24,492	244,917
Legal fees	212,761	8,435	221,196
General expenses	181,429	190,912	372,341
Facility maintenance	173,830	16,963	190,793
Equipment rental	122,131	13,570	135,701
Communications	113,481	12,823	126,304
Contract/consulting services	109,114	98,325	207,439
ARCA dues	83,274	9,253	92,527
Equipment maintenance and purchases	42,285	4,698	46,983
Accounting fees	39,040	13,960	53,000
Printing	15,396	1,710	17,106
Board of Directors' expenses	-	17,304	17,304
Interest	-	2,546	2,546
Total	\$ 412,315,444	\$ 5,510,752	\$ 417,826,196

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

Alta California Regional Center, Inc.
STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (11,705)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
(Increase) decrease in:	
Receivable - State Regional Center contracts	(9,366,193)
Receivable - Intermediate Care Facility providers	(115,206)
Due from State - accrued pension obligation	(3,918,930)
Due from State - accrued vacation leave benefits	(176,640)
Due from State - deferred rent	(76,889)
Prepaid expenses and other assets	(225,364)
Increase (decrease) in:	
Accounts payable	36,225,121
Advance - State Regional Center contracts	(36,403,479)
Accrued and other liabilities	599,199
Accrued pension obligation	3,918,930
Accrued vacation leave benefits	176,640
Deferred rent	76,889

Net Cash Provided (Used) By Operating Activities (9,297,627)

Net Increase (Decrease) in Cash (9,297,627)

Cash and Cash Equivalents - Beginning of Year 22,957,081

Cash and Cash Equivalents - End of Year \$ 13,659,454

COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 13,273,026
Cash donor unrestricted	224,600
Cash donor restricted	161,828

Total Cash and Cash Equivalents \$ 13,659,454

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash Paid for Interest \$ 2,546

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

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities Alta California Regional Center, Inc. (the Organization), was incorporated as a California not-for-profit corporation in May 1970. The Organization was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Act) of the *Welfare and Institutions Code* of the State of California (the State). In accordance with the Act, the Organization provides diagnostic evaluations, client service coordination, and lifelong planning services for persons with developmental disabilities and their families.

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

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

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

Financial Statement Presentation The Organization's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under FASB ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted Net Assets: Represents resources over which the Board of Directors has discretionary control and that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets: Represents resources whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted net assets at June 30, 2018, consisted of donations received with donor restrictions to be used for housing the Organization's consumers in El Dorado County. The balance at June 30, 2018 was \$161,828.

Permanently Restricted Net Assets: Represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of June 30, 2018, the Organization did not have permanently restricted net assets.

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Fund Accounting The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting considerations into funds established according to their nature and purpose.

Cash and Cash Equivalents For purposes of the statement of cash flows, the Organization considers all highly liquid cash debt instruments with original maturities of three months or less to be cash equivalents. As required by the contract with DDS, funds received from the State are deposited into interest-bearing accounts in a bank legally authorized to do business in California, and which accounts are established solely for the operation of the Organization. The accounts are in the name of both the Organization and DDS, as required by DDS.

Significant Concentrations of Credit Risk Due to the unique requirements of the State and the large fluctuations in account balances the Organization can have during the year, it is not feasible for the Organization to diversify its cash balances among various financial institutions. Therefore, the Organization maintains substantially all of its cash and temporary cash investments at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018, cash exceeded federally insured limits by \$14,130,693. While the amount in the banks typically exceeded FDIC coverage during the year, historically the Organization has not experienced any losses on such accounts. For these reasons, management believes it is not exposed to any significant credit risk on such accounts.

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

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

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

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

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Receivable – Intermediate Care Facility providers and Due to State – Intermediate Care Facility balances consisted of the following at June 30, 2018:

Years Ended	Receivable - Intermediate Care Facility Providers	Due to State - Intermediate Care Facility
June 30, 2013	\$ 647,889	\$ 636,342
June 30, 2014	-	-
June 30, 2015	68,622	-
June 30, 2016	-	-
June 30, 2017	-	-
June 30, 2018	1,962,933	-
Total	\$ 2,679,444	\$ 636,342

Management considers all receivables to be fully collectible.

Equipment Purchase In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Organization is required to maintain memorandum records of equipment purchases and dispositions. Equipment purchases are recorded as supporting or program service expenses when they are incurred. The cost basis of the property utilized by the Organization and owned by the state at June 30, 2018, was \$763,602. This balance includes only the equipment that is sensitive or exceeds \$5,000 as required by SAM guidelines.

Revenue Concentration State Regional Center contract revenue is revenue received from the State of California in accordance with the Lanterman Act. Approximately ninety-nine percent of revenue is derived from this source.

Contributions The Organization reports contributions as revenue when they are unconditionally pledged or when they are received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified on the statement of activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Use of Estimates and Assumptions The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Concentration of Labor Approximately 70% of the employees of the Organization are represented by a union for collective bargaining purposes. Periodically the collective bargaining agreement is subject to renegotiation.

Vacation Leave Benefits Accumulated unpaid employee vacation benefits are recognized as accrued expenses and included in liabilities. Unused benefits are payable to an employee should employment cease. However, while a corresponding receivable for these benefits has been recorded from the State, such benefits are reimbursed under State contracts only when benefits have actually been paid.

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

Deferred Rent Liability The Organization leases their office facilities under lease agreements that are subject to scheduled acceleration of rental payments. The scheduled rent increases are amortized evenly over the life of the leases. The deferred rent liability represents the difference between the cash payments made and the amount expensed since inception of the lease. The Organization has recorded a receivable from the State for the deferred rent liability to reflect the future reimbursement of the additional rent expense recognized.

Income Taxes The Organization has received tax-exempt status under Section 501(c)(3) of the *Internal Revenue Code*, and Section 23701(d) of the *California Revenue and Taxation Code*, and has been classified as an organization that is not a private foundation under Section 509(a) of the *Internal Revenue Code*. Accordingly, no provision for income taxes is included in the financial statements.

The Organization accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes and how an uncertain tax position is recognized in financial statements. The Organization analyzes tax positions taken in previously filed returns and tax positions expected to be taken in future returns. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. The Organization's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2018, and the Organization does not expect this to change significantly over the next 12 months.

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

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

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

The ASU is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016 the FASB issued ASU 2016-02, *Leases* (Topic 842). The new guidance establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. The ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

In August 2016 the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, with the stated purpose of improving financial reporting by not-for-profit (NFP) entities. The main provisions of this ASU, require an NFP to: (1) present two classes of net assets on the statement financial position entitled “net assets with donor restrictions” and “net assets without donor restrictions,” (2) present changes in each of the two classes of net assets on the statement of activities, (3) disclose quantitative and qualitative information surrounding liquidity and availability of resources, (4) disclose the amount and purpose of governing board designations, appropriates, and other self-imposed limits on the use of resources, (5) present expenses by both their natural classification and functional classification, (6) disclose methods used to allocate costs among program and support functions, (7) report investment return net of external and direct internal investment expenses, and 8) use the placed in service approach for reporting expirations of restrictions on gifts used to acquire or construct long-lived assets in the absence of explicit donor stipulations.

The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. Management is currently evaluating the impact of this ASU on their financial statements.

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In June 2018 the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, with the intent of clarifying the definition of an exchange transaction. As a result, NFPs will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). The new guidance requires modified prospective transition. In the period of adoption, the changes will apply to new agreements entered into after the effective date, as well as the remaining portions of any agreements from prior years that have not been completed as of the effective date. However, full retrospective application can be elected, if desired. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on their financial statements.

Subsequent Events Management has evaluated subsequent events through January 9, 2019, the date on which the financial statements were available to be issued.

2. FUNDING LIMITS

The Organization's contract is funded by the State's General Fund and federal reimbursements. Allocated amounts are based primarily on projected client caseloads, and are subject to amendment based upon actual services provided.

Contracts are open for the current and two prior fiscal years as follows:

Fiscal Years Ended	Contract Amount	Cumulative Expenses	Unexpended Balance
June 30, 2018	\$ 407,992,749	\$ 403,529,115	\$ 4,463,634
June 30, 2017	\$ 388,556,951	\$ 378,149,845	\$ 10,407,106
June 30, 2016	\$ 350,264,682	\$ 337,873,779	\$ 12,390,903

Management monitors the unexpended balance annually to avoid overspending the contract limits. A majority of the unexpended balance is related to purchase of service client services and this amount could change due to delinquent billings. Management believes that total expenditures for each open year will not exceed the final approved State contract amount.

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3. OTHER PURCHASED SERVICES

Other purchased services consisted of the following:

Year Ended June 30, 2018

Nonmedical services	\$	38,850,008
Respite		29,713,732
Other authorized services		82,170,173
Medical care		9,777,927
Transportation		40,863,693
Prevention services		512,680
Medical equipment		1,208,423
Home care services		4,574
Total Other Purchased Services	\$	203,101,211

4. COMMITMENTS

The Organization is obligated under lease agreements for office equipment, field and main office facilities expiring in various years through 2025. The terms of the leases provide for payment of minimum annual rent, insurance, and property taxes.

The future minimum lease commitments, including the tenant allowance as of June 30, 2018, are payable as follows:

Years Ending June 30

2019	\$	2,710,157
2020		2,689,252
2021		2,727,322
2022		2,745,955
2023		2,565,935
Thereafter		4,390,074
Total	\$	17,828,695

Total facility and equipment rental costs for the year ended June 30, 2018, was \$2,775,679.

The Organization pays for services in arrears, and at any given time the amount due to providers for services rendered is estimated. Unpaid commitments at June 30, 2018, were approximately \$230 million.

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. PENSION PLAN

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

Funding Policy Active plan members are required to contribute 7% of their annual covered salaries for employees hired before January 1, 2013 and 6.25% of covered salaries for employees after January 1, 2013. The Organization contributes the full required contributions for plan members up to the actuarially determined contribution necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2018, was 10.968%. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost For the year ended June 30, 2018, the Organization's annual pension cost was \$2,469,983 and the employer actually contributed \$2,469,983. The following is a summary of principal assumptions and methods used to determine the required annual contribution:

June 30, 2018

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost Method
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	7.25% (Net of administrative expenses)
Inflation	2.625%
Payroll growth	2.875%

Under this method, projected benefits are determined for all members and the associate liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. Commencing with the June 30, 2013 valuation all new gains or losses are tracked and amortized over a fixed 30-year period with a 5 year ramp up at the beginning and a 5 year ramp-down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes), changes in actuarial assumptions, or changes actuarial methodology are amortized separately over a 20-year period with a 5 year ramp up at the beginning and 5 year ramp down at the end of the amortization period. Changes in unfunded accrued liability due to a Golden Handshake will be amortized over a period of 5 years. If the plan's accrued liability exceeds the market value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability. An exception has been made for the change in asset value from actuarial to market value in this valuation. The CalPERS Board approved a 30-year amortization with a 5-year ramp-up/ramp-down for only this change in method.

The following schedule shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll (beginning with June 30, 2011, valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy):

Valuation Date	Entry Age Normal Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll Funding	Unfunded Actuarial Liability as Percent of Payroll
6/30/2011	\$ 51,761,906	\$ 40,035,708	\$ 11,726,198	77.3%	\$ 18,287,117	64.1%
6/30/2012	\$ 56,309,724	\$ 41,523,633	\$ 14,786,091	73.7%	\$ 17,747,605	83.3%
6/30/2013	\$ 61,944,819	\$ 48,238,527	\$ 13,706,292	77.9%	\$ 18,973,558	72.2%
6/30/2014	\$ 71,009,494	\$ 58,331,087	\$ 12,678,407	82.1%	\$ 20,400,492	62.1%
6/30/2015	\$ 76,233,119	\$ 60,924,000	\$ 15,309,119	79.9%	\$ 20,608,339	74.3%
6/30/2016	\$ 83,630,855	\$ 62,554,043	\$ 21,076,812	74.8%	\$ 21,566,286	97.7%
6/30/2017	\$ 96,354,111	\$ 71,358,369	\$ 24,995,742	74.1%	\$ 26,511,934	94.0%

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Asset Allocation The asset allocation shown below reflects the CalPERS fund in total as of June 30, 2017. The assets of the Organization's plan are part of the CalPERS fund and are invested accordingly:

	Current Allocation	Target Allocation
Asset Class		
Public equity	48.3%	50.0%
Private equity	8.0%	8.0%
Global fixed income	19.4%	28.0%
Liquidity	4.8%	1.0%
Real assets	11.2%	13.0%
Inflation sensitive assets	7.8%	0.0%
Other	0.5%	0.0%
Total	100%	100%

Other Plans The Organization contributed to a defined contribution retirement account for eligible employees who elected not to participate in the CalPERS retirement plan. The Organization deposited a non-elective employer contribution set at 8% of the employees annual salary which amounted to \$393,340 for the year ended June 30, 2018.

6. LINE OF CREDIT

The Organization had a revolving note with U.S. Bank, NA whereby it could borrow up to \$23,000,000 until September 5, 2018. Following this period, the Organization can borrow up to \$25,000,000 until the maturity date of September 5, 2019. Interest payments are due monthly at a variable rate of interest, calculated at an annual rate equal to 2.0% plus the one month LIBOR rate. On June 30, 2018, the interest rate was 4.125%. No amount was outstanding on the revolving note as of June 30, 2018.

7. LITIGATION CLAIMS AND CONTINGENCIES

In accordance with the terms of the State of California contract, an audit may be performed by an authorized state representative. Should such audit disclose any unallowable costs, the Organization may be liable to the State for reimbursement of such costs. In the opinion of the Organization's management, the effect of any disallowed costs, if any, would be immaterial to the financial statements as of June 30, 2018.

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

Alta California Regional Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

8. RELATED-PARTY TRANSACTIONS

California Welfare and Institutions Code, Section 4622, requires that a minimum of 50% of the Organization's governing board be comprised of persons with developmental disabilities or their parents or legal guardians. Program service payments were made in the normal course of business on behalf of persons with developmental disabilities that were governing board members or were related to governing board members.

SUPPLEMENTARY INFORMATION SECTION

Alta California Regional Center, Inc.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Contract Year	Pass-Through Grant Number	Federal CFDA Number	Disbursements/ Expenditures
FEDERAL				
U.S. DEPARTMENT OF EDUCATION				
Passed Through State of California				
Department of Developmental Services -				
Special Education - Grants for Infants and				
Families with Disabilities (Part C)				
	17/18	H181A170037	84.181A	\$ 935,071
Total U.S. Department Of Education				935,071
Total Expenditures of Federal Awards				\$ 935,071

Purpose of Schedules

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

Basis of Presentation

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

Indirect Cost Rate

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

OTHER REPORTS SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Alta California Regional Center, Inc, a California nonprofit corporation (the Organization), which comprise the statement of financial position as of June 30, 2018, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 9, 2019.

Internal Control Over Financial Reporting

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

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

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Aiello, Goodrich & Teuscher

January 9, 2019
Aiello, Goodrich & Teuscher
An Accountancy Corporation
Redding, California



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

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

Report on Compliance for Each Major Federal Program

We have audited Alta California Regional Center, Inc., a California nonprofit corporation (the Organization), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2018. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal award.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance on the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

(Continued)

Opinion on Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

(Continued)

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

Aiello, Goodrich & Teuscher

January 9, 2019

Aiello, Goodrich & Teuscher

An Accountancy Corporation

Redding, California

FINDINGS AND RECOMMENDATIONS SECTION

**SECTION I
 SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

**SECTION II FINDINGS
 FINANCIAL STATEMENTS AUDIT**

None

**SECTION III FINDINGS
 FEDERAL AWARDS AUDIT**

None

Alta California Regional Center, Inc.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

None