ALTA CALIFORNIA REGIONAL CENTER, INC.
Sacramento, California

EXAMINATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2017

Alta California Regional Center, Inc.

Table of Exhibits

June 30, 2017

Stroub Thompson Noble
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Alta California Regional Center, Inc. (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements. The financial statements of Alta California Regional Center, Inc as of and for the year ended June 30, 2016, were audited by us with a report dated November 30, 2016, which we expressed an unqualified opinion on those 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alta California Regional Center, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 8, 2018, on our consideration of Alta California Regional Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Alta California Regional Center, Inc.'s internal control over financial reporting and compliance.

Strout Thompson Noble

Certified Public Accountants

January 8, 2018

ALTA CALIFORNIA REGIONAL CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	June 30, 2017	June 30, 2016
Current Assets:		
Cash, donor unrestricted	$ 236,305	$ 211,926
Cash, donor restricted	161,828	144,884
Cash, restricted State of California	22,558,948	25,380,615
Claims receivable - State of California:		
Claims net of advances	-	144,097
Receivables from Intermediate Care Facilities	2,564,238	1,577,929
Receivables client support	8,051	402,152
Prepaid expenses	659,889	698,989
	$ 26,189,259	$ 28,560,592
Other Assets:		
Claims receivable - State of California:		
Accrued vacation benefits	$ 2,828,722	$ 2,554,243
Deferred rent liability	2,194,475	1,226,605
Accrued pension benefits liability	21,076,812	15,309,119
Cash - held in trust	-	1,018
	$ 26,100,009	$ 19,090,985
	$ 52,289,268	$ 47,651,577

LIABILITIES AND NET ASSETS

	June 30, 2017	June 30, 2016
Current Liabilities:		
Accounts payable	$ 25,791,126	$ 28,203,782
Other Liabilites:		
Accrued vacation benefits	$ 2,828,722	$ 2,554,243
Deferred rent liability	2,194,475	1,226,605
Accrued pension benefit liability	21,076,812	15,309,119
Unexpended client support	-	1,018
	$ 26,100,009	$ 19,090,985
	$ 51,891,135	$ 47,294,767
Net Assets:		
Unrestricted Net Assets	$ 236,305	$ 211,926
Temporarily Restricted Net Assets	161,828	144,884
	$ 398,133	$ 356,810
	$ 52,289,268	$ 47,651,577

See the accompanying notes and independent accountants' audit report.

ALTA CALIFORNIA REGIONAL CENTER, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2017 AND 2016

	Year Ended	
	June 30, 2017	June 30, 2016
Support and Revenue:		
Contracts - State of California	$ 377,936,454	$ 330,994,937
Contributions	24,379	3,617
Contribution, restricted	16,944	-
Supplemental services income (ICF)	5,527,605	4,553,436
Other income	0	300
Investment income (Net)	75,350	86,215
	$ 383,580,732	$ 335,638,505
Expenses:		
Program services:		
Developmental services	$ 379,225,284	$ 331,640,713
Supporting services:		
General and administrative	4,314,125	4,006,802
	383,539,409	335,647,515
Increase (Decrease) in Net Assets	$ 41,323	$ (9,010)
Net Assets at Beginning of Year	356,810	365,820
Net Assets at End of Year	$ 398,133	$ 356,810

See the accompanying notes and independent accountants' audit report

ALTA CALIFORNIA REGIONAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services	
	Consumer Services	General and Administrative	Combined
Salaries	$ 25,497,317	$ 2,495,109	$ 27,992,426
Employee benefits, payroll taxes, etc.	8,222,091	1,151,850	9,373,941
	$ 33,719,408	$ 3,646,959	$ 37,366,367
Purchased Services:			
Out-of-home	$ 79,954,307	$ -	$ 79,954,307
Day programs	78,466,372	-	78,466,372
Transportation	38,599,067	-	38,599,067
Respite	25,187,782	-	25,187,782
Other	118,414,915	-	118,414,915
Equipment and facility maintenance	70,181	4,868	75,049
Equipment rental	123,010	13,668	136,678
Facility rental	2,279,146	256,041	2,535,187
Consultant fees	54,133	75,638	129,771
Communication	276,923	31,420	308,343
General office expense	178,482	26,806	205,288
Printing	50,932	1,728	52,660
Insurance	215,273	24,953	240,226
Board expense	-	10,930	10,930
Legal fees	81,615	3,824	85,439
Professional fees	4,880	43,920	48,800
Equipment purchases	478,801	52,472	531,273
Travel/training	614,412	23,381	637,793
Data processing	277,600	31,185	308,785
General expenses	52,708	52,222	104,930
Utilities	42,063	4,857	46,920
ARCA dues	83,274	9,253	92,527
	$ 345,505,876	$ 667,166	$ 346,173,042
	$ 379,225,284	$ 4,314,125	$ 383,539,409

ALTA CALIFORNIA REGIONAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services	Supporting Services	
	Consumer Services	General and Administrative	Combined
Salaries	$ 21,712,624	$ 2,258,910	$ 23,971,534
Employee benefits, payroll taxes, etc.	7,224,848	977,577	8,202,425
	$ 28,937,472	$ 3,236,487	32,173,959
Purchased Services:			
Out-of-home	$ 68,663,356	$ -	68,663,356
Day programs	71,495,349	-	71,495,349
Transportation	31,752,798	-	31,752,798
Respite	18,866,048	-	18,866,048
Other	107,958,652	-	107,958,652
Equipment and facility maintenance	103,657	9,624	113,281
Equipment rental	117,413	13,046	130,459
Facility rental	1,891,948	284,831	2,176,779
Consultant fees	63,808	95,987	159,795
Communication	300,197	42,963	343,160
General office expense	119,188	14,955	134,143
Printing	12,800	1,780	14,580
Insurance	208,786	29,384	238,170
Board expense	788	8,963	9,751
Legal fees	47,985	148,977	196,962
Professional fees	43,020	4,780	47,800
Equipment purchases	3,057	4,580	7,637
Travel/training	595,501	19,860	615,361
Data processing	232,542	25,301	257,843
General expenses	101,110	50,926	152,036
Utilities	37,393	4,784	42,177
ARCA dues	87,845	9,574	97,419
	$ 302,703,241	$ 770,315	303,473,556
	$ 331,640,713	$ 4,006,802	$ 335,647,515

ALTA CALIFORNIA REGIONAL CENTER, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017 AND 2016

	2017			2016
	Unrestricted	Restricted	Combined	Combined
Cash Flow from Operating Activities:				
Change in net assets	$ 24,379	$ 16,944	$ 41,323	$ (9,010)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Decrease (increase) in cash - held in trust	-	1,018	1,018	18,694
Decrease (increase) in claims receivable	-	144,097	144,097	21,268,271
Decrease (increase) in receivables from Intermediate Care Facilities	-	(986,309)	(986,309)	(707,918)
Decrease in receivables client support	-	394,101	394,101	384,986
Decrease (increase) in prepaid expenses	-	39,100	39,100	(429,341)
Increase (decrease) in unexpended client support	-	(1,018)	(1,018)	(42,817)
Increase in accounts payable	-	(2,412,656)	(2,412,656)	760,235
Net cash provided (used) by operating activities	$ 24,379	$ (2,804,723)	$ (2,780,344)	$ 21,243,100
Cash Flow from Investing Activities:				
Net cash used by investing activities	$ -	$ -	$ -	$ -
Cash Flow from Financing Activities:				
Net cash provided by contributions	$ -	$ -	$ -	$ -
Net increase (decrease) in cash and cash equivalents	$ 24,379	$ (2,804,723)	$ (2,780,344)	$ 21,243,100
Cash and cash equivalents at beginning of year	211,926	25,525,499	25,737,425	4,494,325
Cash and cash equivalents at end of year	$ 236,305	$ 22,720,776	$ 22,957,081	$ 25,737,425

Supplemental Disclosures of Cash Flow Information:

Cash Paid during the year for:	2017	2016
Interest expense	$ -	$ 440
Income tax expenses	$ -	$ -

See the accompanying notes and independent accountants' audit report

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Organization

Alta California Regional Center, Inc. (the Center) was incorporated as a nonprofit corporation in May 1970. The Center 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. In accordance with the Act, the Center provides diagnostic evaluations, client service coordination and life long planning services for persons with developmental disabilities and their families.

The Center is governed by the Center's board of directors. To comply with the 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 who provides services to the Center's clients.

The Center 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 Presentation

The presentation for the statements of financial position, activities and change in net assets, functional expenses and cash flows follows the recommendations of the Financial Accounting Standards Board for *Financial Statements of Not-for-Profit Organizations*.

The books and records are maintained in accordance with generally accepted accounting principles in the United States of America and mutually agreed to procedures by the Department of Developmental Services, State of California whereby certain expenditures are recorded as an expense in accordance with the terms of the contracts with the State of California.

All cash accounts, receivables, prepaid expenses, liabilities and advances relating to the contracts with the Department of Developmental Services are segregated from the other activity of the Center and are restricted by the terms of the contract.

Concentration of Labor

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Contributions

Contributions received can be recorded as unrestricted, temporarily restricted, or permanently restricted funds. All contributions received by the Center are considered to be available for general use unless otherwise specifically restricted by the donor. The net assets reported as unrestricted as of June 30, 2017 are $398,133 and for 2016 are $356,810, which are the result of private contributions not covered by the Center's contracts with the State of California. The Center held temporarily restricted contributions of $161,828 during the year ended June 30, 2017 and $141,884 during the year June 30, 2016. None of the temporarily restricted assets were used since that time.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could vary from the estimates that were assumed in preparing the financial statements. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Receivables from Intermediate Care Facility Vendors

The Centers for Medicare and Medicaid Services (CMS) has approved federal financial participation in the funding of the day and transportation services provided by Intermediate Care Facilities. The Center is reimbursed for services provided for the Center' clients from the vendor once the vendor has received payment of federal funds through the Department of Developmental Services. The net receivable at June 30, 2017 was $2,564,238 and at June 30, 2016 was $1,577,929.

Equipment

The Center owns no real or personal property. Equipment which is purchased with funds contracted through the State of California remains the property of the State of California. The Department of Developmental Service's equipment management system guidelines are to capitalize 1) non-expendable equipment with a unit cost of $5,000 or more, 2) sensitive property, and 3) non-specialized adaptive property. The cost basis of the capitalized property utilized by the Center and owned by the State of California is $1,188,601.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Tax Status

The Center has received tax-exempt status from the Internal Revenue Service and the California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of California, respectively.

The Center is subject to potential tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitation for federal taxes is three years and for California purposes four years.

Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the statements of cash flows, the Center considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Center maintains cash balances in its bank accounts in excess of federally insured amounts.

Contract and Accounts Receivable

Claims receivables result from providing services pursuant to the contract with the Department of Developmental Services (DDS). Other receivables are for client support expected to be received from other sources. No allowance for doubtful accounts is necessary since all balances will become collectible from the Department of Developmental Services as long as the Center spends within its budget.

Accrued Pension Benefit Liability

Beginning in 2015, the Center recorded the unfunded actuarial accrued liability disclosed in Footnote 3 as an accrued pension benefit liability. However, such benefits are not reimbursed in accordance with mutually agreed upon procedures pursuant to the contract with the Department of Developmental Services. In these financial statements, the Center has recorded a corresponding receivable from the Department of Developmental Services for accrued pension benefits to reflect the future reimbursement of such benefits. The Center has no reason to expect that the contract with the State of California will ever be terminated however, the current contract stipulates that at termination the State shall pay accrued benefits submitted and approved by the State at the time of termination.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Accrued Vacation Benefits

The Center has accrued a liability for leave benefits earned in accordance with generally accepted accounting principles. However, such benefits are not reimbursed in accordance with mutually agreed upon procedures pursuant to the contract with the Department of Developmental Services. In these financial statements, the Center has recorded a corresponding receivable from the Department for accrued leave benefits to reflect the future reimbursement of such benefits. The estimated accrual for unfunded leave benefits at June 30, 2017 and 2016 was $2,828,722 and $2,554,243, respectively.

Functional 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.

Deferred Rent Liability

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 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 Center has recorded a receivable from the State for the deferred rent liability to reflect the future reimbursement of the additional rent expense recognized.

Advertising

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

Reclassifications

Certain accounts in the prior year totals have been reclassified for comparative purposes to conform with the presentation in the current year financial statement which have no effect on the overall presentation of the financial statements.

NOTE 2 - CONTRACTS - STATE OF CALIFORNIA:

Each year the Center contracts with the State of California, Department of Developmental Services under separate contract agreements for each year. Under the terms of the contracts, the funded expenditures are not to exceed $388,548,253 and $350,316,539 for the contract years ending June 30, 2017 and 2016, respectively.

NOTE 2 - CONTRACTS - STATE OF CALIFORNIA (continued):

The activity of each year is accounted for separately. The activity of the prior years is not reflected in these financial statements, except the net of the receivables and advances. For financial statement presentation, to the extent there are claims, advances have been offset against the claims receivable as follows:

	June 30, 2017	June 30, 2016
Contract receivables -current contract	$ 70,396,385	$ 61,423,196
Contract receivables -prior contracts	1,360,247	906,503
Contract advance -current contract	(95,790,683)	(60,612,957)
Contract advance -prior contracts	(938,712)	(1,572,645)
Net Receivables	$ (24,972,763)	$ 144,097

In accordance with the terms of the contract with the Department of Developmental Services, an audit may be performed by DDS auditors. In the opinion of the Center's management these audits would not have a material effect on the operations of the Center or the financial statements for the years ended June 30, 2017 and 2016.

The Center makes every effort to comply with the terms of the contract with DDS and not exceed the annual budget. In the event the Center expenditures exceed the budget for the contract year, the Center would look to DDS to reallocate surplus funds within the state-wide regional center system to supplement the deficit. Should the state-wide system result in a deficit, DDS would need to report to and seek additional funding from Governor and the State Legislature of California.

NOTE 3 - RETIREMENT PLANS:

Defined Benefit Pension Plan

The Center 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

NOTE 3 - RETIREMENT PLANS (continued):

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 Center 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, 2017 was 10.439% and June 30, 2016 was 9.828%. 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, 2017, the Center's annual pension cost was $2,648,827 and the employer actually contributed $2,648,827. For the year ended June 30, 2016, the Center's annual pension cost was $2,236,389 and the employer actually contributed $2,236,389. The following is a summary of principal assumptions and methods used to determine the required annual contribution:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.375% (net of administrative expenses)
Inflation	2.75%
Payroll Growth	3.00%

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.

NOTE 3 - RETIREMENT PLANS (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 6/30/2013 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%

NOTE 3 - RETIREMENT PLANS (continued):

The asset allocation shown below reflects the CalPERS fund in total as of June 30, 2016. The assets of the Center's plan are part of the CalPERS fund and are invested accordingly:

Asset Class	Current Allocation	Target Allocation
Global Equity	51.9 %	51.0 %
Private Equity	9.0	10.0
Global Fixed Income	20.3	20.0
Liquidity	1.5	1.0
Real Assets	10.8	12.0
Inflation Sensitive Assets	6.0	6.0
Other	0.5	0.0
	100.0 %	100.0 %

Other Plans: The Center contributed to a defined contribution retirement account for eligible employees who elected not to participate in the CalPERS retirement plan. The Center deposited a non-elective employer contribution set at 8% of the employees annual salary.

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NOTE 4 - CASH - CLIENT TRUST FUNDS AND UNEXPENDED CLIENT SUPPORT:

The Center functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of regional center clients. The cash balances are segregated from the operating cash accounts of the Center and are restricted for client support. The following is a summary of operating activity not reported in the statements of activities:

	June 30, 2017	June 30, 2016
Support:		
Social Security and other client support	$ 2,612	$ 62,520
Disbursements:		
Board and care	$ -	$ -
Other disbursements	2,612	62,520
Total Disbursements	$ 2,612	$ 62,520

NOTE 5 - LEASE COMMITMENTS:

The Center is obligated under certain operating leases for office equipment, field and main office facilities. The lease terms expire in various years through 2022. The terms of the leases provide for payment of minimum annual rent, insurance, and property taxes. In the event DDS does not renew its annual contract, the leases described above become cancelable by the Center.

The following is a schedule by year of future estimated minimum rental payments required under operating leases that have remaining lease terms in excess of one year:

	Facility Leases
June 30, 2018	$ 2,499,525
June 30, 2019	$ 2,410,936
June 30, 2020	$ 2,395,249
June 30, 2021	$ 2,435,474
June 30, 2022	$ 2,525,131

Facility and equipment lease costs for the year ended June 30, 2017 and 2016 was $2,671,865 and $2,307,238, respectively.

NOTE 6 - LINE OF CREDIT:

The Center established a unsecured revolving line of credit (ACRC Working Capital Loan) with a financial institution for $23,000,000. On June 30, 2017 and 2016 all of the credit line was available. 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, 2017 the interest rate was 3.2239%. The credit line matures on September 5, 2018.

NOTE 7 - FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques.

NOTE 7 - FAIR VALUE MEASUREMENTS (continued):

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in he principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The Center's financial instruments are cash, cash donor restricted, cash held in trust, claims receivable, receivables client support, receivables from Intermediate Care Facilities, prepaid expenses, accounts payable, accrued vacation benefits, deferred rent liability, accrued pension liability and unexpended client support which approximates their values based on their short-term nature.

NOTE 8 - SUBSEQUENT EVENTS:

The management of the Center has reviewed the results of operations for the period of time from its year end June 30, 2017 through January 8, 2018, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

ALTA CALIFORNIA REGIONAL CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor Pass Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Grantee Contract or Award Number	Grant Award Amount	Expenditures
U.S. Department of Education					
Grant passed through State of California Department of Developmental Services					
Special Education-Grants for Infants and Families (IDEA Part C)	84.181	H181A150037	HD149001	$ 1,023,354	$ 1,023,354

Note A -Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ALTA California Regional Center under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of 2 CFR 200 Uniform Guidance.

Note B -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 2 CFR 200 Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C –Funding provided to Subrecipients

All expenditures are used as purchased services for clients. No subgrants were awarded.

Note D –Nonmonetary Activity

No amounts are reported in the schedule for in kind assistance.

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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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Alta California Regional Center, Inc.(a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alta California Regional Center's internal control over financial reporting (internal control) in order to determine our auditing 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 Alta California Regional Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the Center'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 would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alta California Regional Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standard*s.

Purpose of the 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 organizations's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standard*s in considering the organizations's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Strout Thompson Noble

Certified Public Accountants

January 8, 2018

Stroub Thompson Noble
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Alta California Regional Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alta California Regional Center's major federal programs for the year ended June 30, 2017. Alta California Regional Center, Inc.'s major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alta California Regional Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alta California Regional Center'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 each major federal program. However, our audit does not provide a legal determination on Alta California Regional Center's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Alta California Regional Center Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The management of Alta California Regional Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Alta California Regional Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the effectiveness of Alta California Regional Center'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 or 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 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.

Purpose of the Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Strout Thompson Noble

Certified Public Accountants

January 8, 2018

ALTA CALIFORNIA REGIONAL CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Alta California Regional Center, Inc. (Page 3-4).

2. No significant deficiencies or weaknesses in internal controls relating to the audit of the financial statements were disclosed as a result of the audit (No report).

3. No instances of noncompliance material to the financial statements of Alta California Regional Center, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed as a result of the audit (Page 23-25).

4. No significant deficiencies or instances of noncompliance were disclosed during the audit on internal controls over major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Uniform Guidance (Page 23 -25).

5. The auditor's report on compliance for major federal programs for Alta California Regional Center, Inc. expresses an unmodified opinion on all major programs (Page 23-25).

6. No audit findings relative to the major federal award programs for Alta California Regional Center, Inc. are reported in this schedule.

7. The programs tested as major programs include: Special Education-Grants for Infants and Families (Early Intervention Program IDEA Part C) (CFDA No. 84.181).

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. For the purpose of determining the threshold of testing of Single Audit programs, Alta California Regional Center qualifies as a low-risk auditee.

FINDINGS-FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS

None