



Finance Committee Meeting

Wednesday, April 13, 2021, 5:30 PM

Hybrid - VMRC Stockton Office Cohen Board Room and via Zoom Video Conference

702 N. Aurora Street

[https://us06web.zoom.us/j/82086069448?
pwd=Ky9ZTXI2TTAvMzJLd2xTUjR6NUNIZz09&from=addon](https://us06web.zoom.us/j/82086069448?pwd=Ky9ZTXI2TTAvMzJLd2xTUjR6NUNIZz09&from=addon)

Stockton, CA, 95202

For accommodations, please contact Doug Bonnet at 209-955-3656, or by email at DBonnet@vmrc.net. Spanish translation is included and is available without requesting.

Meeting Book - Finance Committee Meeting

A. Review and Approval of Meeting Agenda	Action Item	Alicia Schott, Treasurer
B. Review and Approval of Finance Committee Meeting Minutes of 03/09/22	Action Item	Alicia Schott, Treasurer
Fin Com Minutes 03 09 22.pdf - 3		
C. Public Comment		Alicia Schott, Treasurer
Each member of the public will be given 3 minutes for comment. If an interpreter is used, 6 minutes will be given.		
D. Financial Audit	Action Item	Kemper CPA Group LLP
Issued Management Comment Letter 20-21.pdf - 5		
Issued Letter to the Board.pdf - 7		
Issued Financial Statements VMRC 20-21.pdf - 9		
E. Fiscal Department Update		Melissa Stiles, CFO
1. Contract Status Report (CSR)	Action Item	
CSR for April 2022.pdf - 41		
2. Purchase of Service (POS) Expenditures		
POS for April 2022.pdf - 42		
3. Operations (OPS) Expenditures		
OPS for April 2022.pdf - 43		
F. Approval of Contracts over \$250,000	Action Item	Corina Ramirez, Resource Development
Contract Board Approval Report-Merakey.pdf - 44		
Contract Summary & Board Resolution 2022-04.pdf - 47		
G. Next Meeting - Wednesday, May 11, 2022, 6:30 PM, VMRC Stockton Office Cohen Board Room and Via Zoom Video Conference (Hybrid)		Alicia Schott, Treasurer



Finance Committee Meeting

Chaired by, Alicia Schott, Treasurer

March 9, 2022

5:30 pm Zoom Remote Meeting and In-Person

Board Members Present: Connie Uychutin, Jose Lara, Linda Collins, Lisa Utsey, Margaret Heinz, Alicia Schott (Happy Birthday)

Board Members Not Present:

Informed Absences:

Staff Present: Tony Anderson, Brian Bennett, Melissa Stiles, Christine Couch

Public Present: Rachelle Munoz, facilitator;

A. Review and Approval of Meeting Agenda – Lisa Utsey made a motion to approve the agenda. Linda Collins seconded the motion. The agenda passed unanimously.

B. Review and Approval of the Finance Meeting Minutes of 2/9/22– Lisa Utsey made a motion to approve the minutes. Connie Uychutin seconded the motion. The minutes passed unanimously.

C. Public Comment - none

D. Approval of Contracts over \$250,000

Corina Ramirez, Resource DevelopmentAction Item: Corina reviewed the contracts listed below. The board asked questions and discussed the changes in the contracts. Lisa Utsey made a motion to approve all contracts presented. Linda Collins seconded the motion. Connie Uychutin abstained. Motion passes.

- Contract Board Approval Reports for contracts expiring in May & June 2022
- Trust Management Services – 5-yr Contract renewal
- Transitional Coaching & Development Institute – 5-yr Contract renewal
- Community Anchor Services – 5-yr Contract renewal
- STEPS Home – 5-yr Contract renewal
- Shadman House – 5-yr Contract renewal

The contract for Young Adult Institute, (YAI), a community crisis home, was presented to the committee. Merakey Allos, an enhanced behavioral supports home, was presented to the committee.

- Contract Summary and Board Resolution Report – Signature page

E. Fiscal Department Update

Melissa Stiles, CFO

a. Contract Status Report (CSR) Action Item

Melissa Stiles reviewed the CSR as of January 31, 2022. Lisa Utsey made a motion to approve the CSR as presented. Linda Collins seconded the motion. The motion passed unanimously.

b. Purchase of Service (POS) Expenditures..... Information

Melissa Stiles reviewed the POS Expenditures.

c. Operations (OPS) Expenditures..... Information

Melissa Stiles reviewed the OPS Expenditures.

F. Next Meeting - Wednesday, April 13, 2022, 5:30 PM, on Zoom and In-Person, Alicia Schott, Treasurer

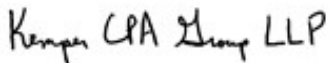
To the Board of Directors
and Management of
Valley Mountain Regional Center, Inc.

In planning and performing our audit of the financial statements of Valley Mountain Regional Center, Inc. as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Valley Mountain Regional Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Exhibit A summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated March 24, 2022, on the financial statements of Valley Mountain Regional Center, Inc..

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Kemper CPA Group LLP
Certified Public Accountants and Consultants

Modesto, California
March 24, 2022

Exhibit A
Observations and Recommendations

PRIOR YEAR COMMENTS REPEATED:

Attendance Reporting

The Organization has policies in place for managers to approve the Time & Attendance of employees in their department. This policy is an important internal control procedure. It was noted during our testing of payroll, that not all managers are following this process and that a manager in accounting is required to approve the Time & Attendance in order to process payroll. However, by bypassing the department manager approval process, the potential for errors is increased. The accounting department may not know the details of actual hours worked, vacation or sick time taken, and “approved” overtime of individuals in other departments that are supervised by other managers.

We recommend the Organization require without exception that all managers approve the Time & Attendance of employees in their department.

Status: In process, the Center is designing procedures to implement this recommendation.

PRIOR YEAR COMMENTS CLEARED:

Vendor Fiscal Monitoring

Under Federal regulations, the Organization is required to determine if the vendors paid using federal funds are suspended, debarred or otherwise excluded from providing services. During our testing of federal awards, we noted several vendors in our sample did not have a current clearance report in the vendor’s file.

Status: Not considered a finding based on review of 3rd party contract services.

Department of Developmental Services (DDS) Claims

During our review of the DDS confirmation, we noted several claims shown as outstanding accounts receivable on the Organizations records that were shown as paid by DDS or not showing on DDS records as a claim received. Some of these claims were over a year old. In total these amounts were immaterial to the financial statements.

We recommend that all outstanding DDS claims be followed up on with DDS within a timely manner.

Status: Implemented



March 24, 2022

To the Board of Directors
Valley Mountain Regional Center, Inc.

We have audited the financial statements of Valley Mountain Regional Center, Inc. for the year ended June 30, 2021, and have issued our report thereon dated March 24, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Valley Mountain Regional Center, Inc. are described in Note 1 to the financial statements.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management,

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 24, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues''

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters'

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Directors and Management of Valley Mountain Regional Center, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

VALLEY MOUNTAIN REGIONAL CENTER, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Valley Mountain Regional Center, Inc.
Stockton, California

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Mountain Regional Center, Inc. (the Center) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Basis for Qualified Opinion

As discussed in Note 6, the Center is using an actuarial valuation provided by the California Public Employees' Retirement System (CalPERS), calculated in accordance with Governmental Accounting Standards Board 68, Accounting and Financial Reporting for Pensions, to estimate the Center's unfunded projected pension obligation and the related pension expense in the accompanying statement of financial position and statement of activities, respectively, that, in our opinion, does not conform to accounting principles generally accepted in the United States of America (GAAP) under the Financial Accounting Standards Board (FASB) standards. The amounts by which this departure affects the liabilities, net deficit, beginning net deficit, expenses, change in net deficit and footnote disclosures of the pension obligation of the Center have not been determined as it is not practicable to quantify.

Opinion

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

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022, on our consideration of Valley Mountain 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 Valley Mountain Regional Center, Inc.'s internal control over financial reporting and compliance.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Modesto, California
March 24, 2022

VALLEY MOUNTAIN REGIONAL CENTER, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Cash and cash equivalents	\$ 14,589,508
Contracts receivable - State of California	7,641,934
Receivables from Intermediate Care Facility vendors	2,798,500
Due from state - accrued vacations and other employee benefits	2,808,003
Restricted cash	106,766
Deposits and other assets	45,903
Post retirement health care plan benefit	68,087

TOTAL ASSETS	<u>\$ 28,058,701</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 25,370,622
Accrued vacation and other employee benefits	3,988,703
Unfunded pension liability	18,484,897

TOTAL LIABILITIES	<u>47,844,222</u>
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NET DEFICIT

Without donor restrictions	(19,892,287)
With donor restrictions	106,766

(19,785,521)

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,058,701</u>
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The accompanying notes are an integral part of these financial statements.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

NET ASSETS WITHOUT DONOR RESTRICTIONS

SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS

Contracts - State of California	\$ 279,294,266
Intermediate Care Facility supplemental services income	3,894,177
Interest income	40,297
Other income	80,683
	<hr/>
Total support and revenue	283,309,423

EXPENSES

Program services:	
Direct consumer services	276,355,724
Supporting services:	
General and administrative	9,295,346
	<hr/>
Total expenses	285,651,070

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM
OPERATIONS**

(2,341,647)

NONOPERATING INCOME (EXPENSE)

Other components of net periodic OPEB costs	58,861
Pension related charges other than net periodic pension cost	(2,862,931)
OPEB related charges other than net periodic OPEB cost	1,168,810

TOTAL NONOPERATING INCOME (EXPENSE)

(1,635,260)

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS

(3,976,907)

NET ASSETS WITH DONOR RESTRICTIONS

SUPPORT AND REVENUE WITH DONOR RESTRICTIONS

Contributions	8,737
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CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS

8,737

CHANGE IN NET ASSETS

(3,968,170)

NET DEFICIT AT BEGINNING OF YEAR

(15,817,351)

NET DEFICIT AT END OF YEAR

\$ (19,785,521)

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program services	Supporting services	
	Program	General and administrative	Total expenses
EXPENSES			
Salaries and wages	\$ 20,344,775	\$ 2,392,268	\$ 22,737,043
Employee health and retirement benefits	5,072,324	596,344	5,668,668
Payroll taxes	248,346	29,198	277,544
Staff travel	133,836	15,735	149,571
Total salaries and related expenses	25,799,281	3,033,545	28,832,826
Purchase of services:			
Residential services	94,947,967	-	94,947,967
Day program	41,593,790	-	41,593,790
Other purchased services	113,808,207	-	113,808,207
Communication	-	82,562	82,562
General office expenses	-	474,340	474,340
Data processing expenses	-	1,892,514	1,892,514
Printing	-	10,912	10,912
Insurance	-	120,867	120,867
General expenses	-	452,549	452,549
Facility and equipment rent	-	2,084,272	2,084,272
Equipment and facility maintenance	-	654,678	654,678
Consultant fees	206,479	252,256	458,735
ARCA dues	-	80,458	80,458
Board expenses	-	4,291	4,291
Legal fees	-	97,359	97,359
Interest expense	-	11,611	11,611
Travel and meals	-	43,132	43,132
TOTAL EXPENSES	\$ 276,355,724	\$ 9,295,346	\$ 285,651,070

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets without donor restrictions	\$ (3,968,170)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Contracts receivable	3,240,211
Receivable from Intermediate Care Facility vendors	(167,647)
Due from state - accrued vacation and other employee benefits	(1,165,819)
Deposits and other assets	57,234
Increase (decrease) in:	
Accounts payable	558,000
Accrued vacation and other employee benefits	1,637,236
Other post retirement employee benefits obligation	(836,257)
Unfunded pension liability	2,377,328
Net cash provided by operating activities	<u>1,732,116</u>

NET CHANGE IN CASH 1,732,116

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 12,964,158

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 14,696,274

Reconciliation of cash accounts

Cash and cash equivalents	\$ 14,589,508
Restricted cash	<u>106,766</u>
	<u><u>\$ 14,696,274</u></u>

SUPPLEMENTAL DISCLOSURES

Cash payments for interest	<u><u>\$ 11,611</u></u>
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The accompanying notes are an integral part of these financial statements.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 - Summary of Significant Accounting Policies

Nature of Organization

Valley Mountain Regional Center, Inc. (the Center) was incorporated on December 13, 1973 as a California nonprofit corporation. 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 program management, and lifelong planning services for persons with developmental disabilities and their families. The areas served include San Joaquin, Stanislaus, Amador, Calaveras, and Tuolumne Counties.

The Act includes governance provisions regarding the composition of the Center's board of directors. The Act states that the board shall be comprised of individuals with demonstrated interest in, or knowledge of, developmental disabilities, and other relevant characteristics, and requires that a minimum of 50% of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25 % of the members of the governing board shall be persons with developmental disabilities. In addition, a member of a required advisory committee, composed of persons representing the various categories of providers from which the Center purchases client services, shall serve as a member of the regional center board. 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 of the Center.

The Center contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for the developmentally disabled and their families. Under the terms of these contracts, funded expenditures are not to exceed \$295,110,240 for the 2020-2021 contract year. As of June 30, 2021, actual net expenditures under the 2020-2021 contract were \$277,461,054.

As discussed above, the Center operates under contracts with the DDS. Contract revenue is funded on a cost reimbursement basis as expenses are paid. However, the accounting standards require the Center to recognize and accrue expenses when incurred. The net deficit reported as of June 30, 2021 on the statement of financial position is primarily the result of the accruals of the Center's post-retirement benefit plans. For retirement pension benefits and other post retirement health-care benefits, accounting standards require the Center to recognize a liability that equals the unfunded benefit obligations related to the plans or an asset when the fair market value of the plan's assets are greater than the projected benefit obligation. Plan expenses under the post-retirement benefit plans are reimbursed under the DDS contract as the Center funds the plan. Although the Center expects that the plan costs will ultimately be funded over future years, plan funding will depend on continued funding by the DDS.

Basis of Accounting

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

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

- Current year
- Prior year
- Second prior year

The Center is also a sub-recipient to DDS with regards to the following federal grants:

U.S. Department of Education

The special education - Grants for infants and families provides grants to States to assist them to implement and maintain a Statewide, comprehensive, coordinated, multidisciplinary, interagency system to make available early intervention services to infants and toddlers with disabilities and their families.

U.S. Corporation for National and Community Service

The Foster Grandparent Program (FGP) provides grants to qualified agencies and organizations for the dual purpose of engaging persons 55 years of age or older, with limited incomes, in volunteer service to meet critical community needs; and to provide a high-quality volunteer experience that will enrich the lives of the volunteers. Program funds are used to support Foster Grandparents in providing supportive, person to person service to children with exceptional or special needs or in circumstances identified as limiting their academic, social, or emotional development.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Intermediate care facility (ICF) revenue are reimbursements from Medicaid for day treatment and transportation services provided to patients. The Center recognizes intermediate care facility revenue as services are provided. Included in other revenue is ICF processing income, which represents the fees earned from providing administrative functions for intermediate care facility providers, such as preparing billings, submitting claims, and paying the ICFs for services. ICF processing income is computed as 1.5% of the total billings processed by the Center on behalf of the ICF providers during the fiscal year. During the year ended June 30, 2021, the Center recognized ICF processing income totaling \$58,412.

Contributions are recognized when cash, securities or other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions that are promised but not received and are not expected to be collected within one year are discounted at an appropriate discount rate commensurate with the risks involved and the present value is booked as contribution income. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as net asset with donor restrictions. When a donor's stipulated time restriction ends or purpose restriction is accomplished, net asset with donor restrictions is reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets which have restrictions stipulated by the donor that the corpus be invested in perpetuity and only the income be made available for operations are recorded as net assets with donor restrictions.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted 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. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Post-Retirement Health Care Plan

The Center is required to recognize the funded status of the post-retirement health-care benefit plan, measured as the difference between plan assets at fair value and the benefit obligation, in the statements of financial position, with an offsetting charge or credit to net assets. Gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net period benefit cost will be recognized each year as a separate charge or credit to net assets. Such liability and related benefit expenses required to be recognized by the accounting standards are accrued expenses incurred in the performance of the DDS contracts. Such expenses are compensable costs incurred under the terms of the DDS contracts. Such expenses will become billable and reimbursable under the terms of the DDS contracts when they are actually paid.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Obligation for Retirement Pension Benefits

The Center is required to recognize in the statements of financial position, the funded status of the California Public Employees Retirement System (CalPERS) pension plans, measured as the difference between plan assets at fair value and the pension benefit obligation with an offsetting charge or credit to net assets. Gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net period benefit cost will be recognized each year as a separate charge or credit to net assets. Such liability and related benefit expenses required to be recognized by the accounting standards are accrued expenses incurred in the performance of the DDS contracts. Such expenses will become billable and reimbursable under the terms of the DDS contracts when they are actually paid. As discussed further in Note 6, the Center used an actuarial valuation provided by the CalPERS that does not conform to GAAP under the Financial Accounting Standards Board (FASB) standards.

Allocation of Functional Expenses

The statement of functional expenses allocates expenses to the program and supporting service categories based on a direct-cost basis for purchase of services and salaries and related expenses. Operating expenses are allocated to supporting services, except for consultant fees, which are allocated on a direct-cost basis.

Tax Status

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

The Center is subject to potential income tax audits on open tax years by any taxing authority in the jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Subsequent Events

Management has evaluated subsequent events and transactions that occurred after the balance sheet date up to March 24, 2022, the date that the financial statements were available to be issued.

NOTE 2 - Contracts Receivable - State of California

The Center's major source of revenue is from the state of California. Each fiscal year, the Center enters a new contract with the state for a specified funding amount subject to budget amendments. Revenue from the state is recognized monthly when a claim for reimbursement of actual expenses is filed with the state. These reimbursement claims are paid at the state's discretion either through direct payments to the Center or by applying the claims reimbursements against advances already made to the Center.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 2 - Contracts Receivable - State of California (Continued)

As of June 30, 2021, DDS had advanced the Center \$60,877,980 under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the claims' receivable from DDS contracts.

Contracts receivable	\$ 68,519,914
Contract advances net of offsets as of June 30, 2021	<u>(60,877,980)</u>
Net Contracts Receivable	<u>\$ 7,641,934</u>

NOTE 3 - Short-Term Borrowings

During the fiscal year ending June 30, 2021, the Center had a revolving line of credit agreement with a bank which is available from November 1, 2020 and expired October 31, 2021, whereby it could borrow up to a maximum \$15,000,000. Borrowings are secured by substantially all assets of the Center with interest payable monthly at the bank's Prime Rate (rate 4.25% at June 30, 2021). There was no balance outstanding as of June 30, 2021. The line of credit is renewable each year.

NOTE 4 – Net Assets with Donor Restrictions

Net assets with donor restrictions were generated by donations designated to be used for the Awesome Spot Playground at Beyer Park, an inclusive playground to be built in Modesto, California, appropriately designed to allow children with disabilities the opportunity to be included in play spaces. Assets are maintained in a separate restricted cash account.

NOTE 5 - Post-Retirement Health Care Plan

The Center sponsors a post-retirement health care plan through the California Public Employees' Retirement System (PERS) for its employees. The actuarial cost method used for determining the benefit obligations is the Projected Unit Benefit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current active employees and retirees. The Accumulated Post-Retirement Benefit Obligation (APBO) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The APBO equals the present value of projected benefits multiplied by a fraction equal to service to date over service at full eligibility age.

The Periodic Benefit Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 5 - Post-Retirement Health Care Plan (Continued)

The actuarial assumptions are summarized below:

<i>Valuation Date</i>	June 30, 2021
<i>Discount Rate</i>	
Used to determine Net Periodic Benefit Cost	2.80%
Used to determine Benefit Obligations	2.90%
<i>Long-term Rate of Return on Plan Assets</i>	
<i>calculated as the expected geometric and arithmetic return over a 50 year period</i>	
Used to determine Net Periodic Benefit Cost	6.25%
Used to determine Benefit Obligations	6.25%
General inflation	2.75%
<i>Annual Benefit Increases</i>	Contributions toward medical premiums are assumed to increase 1.20% per year.
<i>Health Cost Trend</i>	
Health care cost trend rate assumed for next year	5.25%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	4.25%
Year that the rate reaches the ultimate trend rate	2072

The Center is required to recognize an expense each year equal to the Net Periodic Post-Retirement Benefit Cost. The unfunded accumulated benefit obligation for the plan upon its initial valuation was \$2,548,000, an amount which the Center elected to amortize over the average expected future service of its current employees (approximately 17 years).

The Center recognizes the post-retirement health care plan liability as the unfunded APBO in its financial statements. All previously unrecognized actuarial gains or losses are reflected in the statements of financial position. The plan items not yet recognized as a component of periodic plan expenses, but included as a separate charge to net assets, are:

Unrecognized net initial (asset)/obligation	\$ 245,594
Unrecognized actuarial (gain) or loss	<u>(164,574)</u>
	<u>\$ 81,020</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 - Post-Retirement Health Care Plan (Continued)

The pension-related changes other than net periodic pension cost increased net assets without donor restrictions by \$1,227,671 for the year ended June 30, 2021.

Net periodic post-retirement cost consists of the following components:

Service cost	\$ 391,414
Interest cost	228,772
Expected return on plan assets	(453,143)
Transition cost	153,494
Recognized net actuarial (gain) or loss	<u>12,016</u>
Net periodic post-retirement benefit cost	<u><u>\$ 332,553</u></u>

The net periodic benefit cost expected to be charged to expense for the year ended June 30, 2022, is \$234,818.

The following table provides a reconciliation of the changes in the plan's benefit obligations and funded status:

Reconciliation of Benefit Obligation/Asset

Change in benefit obligation	
Obligation at beginning of year	\$ 8,102,985
Service cost	391,414
Interest cost	228,772
Assumption change (gain) or loss	368,309
Experience (gain) loss	152,496
Benefits paid	<u>(169,057)</u>
Benefit obligation at end of year	<u>9,074,919</u>
Change in plan assets	
Fair value of plan assets at beginning of year	7,334,815
Actual return on plan assets	1,977,248
Benefits paid	<u>(169,057)</u>
Fair value of plan assets at end of year	<u>9,143,006</u>
Funded status-net benefit	<u>68,087</u>
Net amount recognized in the statements of financial position	<u><u>\$ 68,087</u></u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 5 - Post-Retirement Health Care Plan (Continued)

Plan Assets

The plan's assets are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to measurements involving significant unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. There have been no changes in the methodologies used for the year ended June 30, 2021.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Asset category				
Cash and cash equivalents	\$ 118,859	\$ 118,859	\$ -	\$ -
Mutual funds				
Equity	6,290,388	6,290,388	-	-
Fixed income	2,733,759	2,733,759	-	-
Total	<u>\$ 9,143,006</u>	<u>\$ 9,143,006</u>	<u>\$ -</u>	<u>\$ -</u>

The investment objective of the plan is to provide a rate of return commensurate with a moderate degree of risk of loss of principal and return volatility. A trustee administers the plan assets and investment responsibility for the assets is assigned to outside investment managers. The assets of the plan are periodically rebalanced to remain within the desired target allocations.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 5 - Post-Retirement Health Care Plan (Continued)

Variability of Estimated APBO

Actual future costs may vary significantly from the estimates used in calculating the APBO for a variety of reasons. Retiree medical costs are especially difficult to estimate due to the uncertainty of future medical costs.

Cash Flow Estimates for Future Benefit Payments

The following estimated benefit payments are expected to be paid on a fiscal year basis:

<u>For the Year Ending June 30,</u>	
2022	\$ 234,818
2023	236,120
2024	255,998
2025	274,282
2026	302,692
2027-2031	1,728,636

NOTE 6 - Retirement Plan

The Center contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. Substantially all of the Center's employees participate in CalPERS.

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

The provisions of FASB ASC 715-30, *Retirement Benefits, Defined Benefit Plans*-Pension require the Center to recognize in its statement of financial position a liability that equals the unfunded projected pension obligation related to its participation in the CalPERS pension plan measured as of the current fiscal year end. For the year ended June 30, 2021 the Center estimated and recorded an unfunded projected pension obligation of \$18,484,897 using an actuarial valuation provided by CalPERS with a valuation date of June 30, 2020. In addition, the valuation was prepared in accordance with Governmental Accounting Standards Board (GASB) 68, *Accounting and Financial Reporting for Pensions*, and does not conform to GAAP under the FASB standards.

The impact on liabilities, net assets, beginning net assets, expenses, change in net assets, and footnote disclosures of the pension obligation for the year ended June 30, 2021 has not been determined. The following footnote disclosures present amounts from the GASB 68 report as of a valuation date of June 30, 2020 and do not conform to requirements of FASB ASC 715.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - Retirement Plan (Continued)

CalPERS uses the Entry Age Normal Cost Method to fund benefits. Under this method, projected benefits are determined for all members and the associated 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.

The actuarial accrued liability for active members is then 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 market 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.

Assumptions

The CalPERS Board of Administration adopted changes to the demographic assumptions based on the most recent experience study. The most significant of these is the improvement in post-retirement mortality acknowledging the greater life expectancies in membership and expected continued improvements. The actuarial assumptions and methods used in CalPERS public agency valuations are approved by the Board of Administration upon the recommendation of the Chief Actuary.

A summary of principal actuarial assumptions used, provided in the Annual Valuation Report prepared by the CalPERS Actuarial Office, is as follows:

Valuation Date	June 30, 2020
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar amount
Asset valuation method	Market value of assets
Actuarial assumptions	
Discount rate	7.00% (net of expenses)
Salary increases	Varies by category, entry age and duration of service
Payroll growth	2.750%
Inflation	2.500%

VALLEY MOUNTAIN REGIONAL CENTER, INC.**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021****NOTE 6 - Retirement Plan (Continued)*****Funding Progress***

The Schedule of Funding Progress below, provided by the CalPERS Actuarial Office, shows the recent history of the actuarial accrued liability, the market value of assets, the funded ratio and the annual covered payroll.

Valuation Date	Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2016	\$ 68,123,000	\$ 56,860,517	\$ 11,262,483	83.5%	\$ 13,401,286
6/30/2017	\$ 79,651,954	\$ 65,506,980	\$ 14,144,974	82.2%	\$ 16,848,845
6/30/2018	\$ 87,264,022	\$ 72,378,322	\$ 14,885,700	82.9%	\$ 17,441,207
6/30/2019	\$ 93,324,077	\$ 77,216,508	\$ 16,107,569	82.7%	\$ 18,475,425
6/30/2020	\$ 99,466,607	\$ 80,981,710	\$ 18,484,897	81.4%	\$ 19,669,198

Asset Category

The asset allocation shown below, provided by the CalPERS Actuarial Office, reflects the CalPERS fund in total as of June 30, 2020. CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges and manages those asset class allocations within their policy ranges. CalPERS recognizes that strategic asset allocation is the dominant determinant of portfolio risk and return. The assets of the Center's plan are part of the PERF and are invested accordingly.

The asset allocation shown below reflects the values of the Public Employee's Retirement Fund (PERF) in its entirety as of June 30, 2020.

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Target Allocation</u>
Public Equity	53.0%	50.0%
Private Equity	6.3%	8.0%
Global Fixed Income	28.3%	28.0%
Real Assets	11.3%	13.0%
Liquidity	0.9%	1.0%
Inflation Sensitive Assets	0.0%	0.0%
Trust Level	0.2%	0.0%
	<u>100%</u>	<u>100%</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 6 - Retirement Plan (Continued)

The following table provides a reconciliation of the changes in the plan's funded status:

Reconciliation of Benefit Obligation

Benefit obligation at June 30, 2020	\$ 99,466,607
Change in plan assets	
Fair value of plan assets at June 30, 2019	77,216,508
Change in receivables for service buybacks	(3,610)
Employer contributions	2,213,028
Employee contributions	1,329,612
Benefits paid	(3,180,926)
Refunds	(60,059)
Service Credit Purchase (SCP) payments and interest	3,720
Administrative expenses	(60,335)
Net investment return	3,523,772
Fair value of plan assets at June 30, 2020	80,981,710
Plan net pension liability, June 30, 2020	<u>\$ 18,484,897</u>

Contributions

Employee contributions are approximately 7.63% of salaries and wages. The Center is required to contribute the remaining amount necessary to fund benefits for its employees, using the actuarial basis adopted by the CalPERS Board of Administration.

The net periodic benefit cost charged to expense for the year ended June 30, 2021 \$1,734,154.

The net periodic benefit cost expected to be charged to expense for the year ended June 30, 2021, is \$1,499,138.

NOTE 7 - Credit Risk, Commitments and Contingencies

Credit Risks

At June 30, 2021 and at various times during the year, the Center maintained cash balances in its financial institutions in excess of federally insured limits. As of June 30, 2021, the uninsured portion of the cash balance was \$13,678,219.

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 2033. The terms of the leases provide for payment of minimum annual rentals, insurance, and property taxes. In the event the DDS does not renew its annual support contract, the leases described above become cancelable by the Center.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 7 - Credit Risk, Commitments and Contingencies (Continued)

Future minimum rental commitments for facilities are as follows:

For the Year Ending June 30,	
2022	\$ 1,991,711
2023	1,385,605
2024	1,084,369
2025	1,088,004
2026	1,104,247
Thereafter	<u>5,766,529</u>
	<u>\$ 12,420,465</u>

Total office equipment and facilities rental expense for the year ended June 30, 2021 was \$1,998,267.

Contingencies

In accordance with the terms of the contract with DDS, an audit may be performed by an authorized DDS representative. Should such audit disclose any unallowable costs, the Center may be liable to DDS for reimbursement of such costs. In the opinion of the Center's management, the effect of any disallowed costs would be immaterial to the financial statements on June 30, 2021, and for the year then ended.

The Center is dependent on continued funding provided by DDS to operate and provide services for its clients. The Center's contract with DDS provides funding for services under the Lanterman Act. In the event that the operations of the Center result in a deficit position at the end of any contract year, DDS may reallocate surplus funds within the State of California system to supplement the Center's funding. In the event that the state determines that the Center has insufficient funds to meet its contractual obligations, the state shall make its best efforts to secure additional funding and/or provide the Center with regulatory relief.

The Center retains approximately 83% of its labor force through Social Services Union Local 1021, Service Employees International Union. This labor force is subject to a collective bargaining agreement and, as such, renegotiation of such agreement could expose the Center to an increase in hourly costs and work stoppages. The agreement was renewed on November 1, 2018, and covers the period through November 1, 2021.

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 7 - Credit Risk, Commitments and Contingencies (Continued)

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States. Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Center's financial position, results of its operations and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 8 – Liquidity and Availability of Financial Assets

The Organization's goal is generally to maintain financial assets to meet 30 days of operating expenses (approximately \$23,800,000). As part of its liquidity plan, excess cash is invested in short term investments, including money market and savings accounts.

Financial assets available for general expenditure within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 14,589,508
Contracts receivable - State of California	7,641,934
Receivables from Intermediate Care Facility vendors	<u>2,798,500</u>
	<u>\$ 25,029,942</u>

SUPPLEMENTARY INFORMATION

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
U.S. Department of Education			
Passed through State of California			
Department of Developmental Services			
Special Education - Grants for Infants and Families	84.181	H181A190037	\$ 2,647,680
U.S. Corporation for National and Community Service			
Passed through State of California			
Department of Developmental Services			
Foster Grandparents/Senior Companion Cluster			
Foster Grandparent Program	94.011	19SFPCA002	<u>222,217</u>
Total Federal Awards			<u>\$ 2,869,897</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021**

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Valley Mountain Regional Center, Inc. under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Valley Mountain Regional Center, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Valley Mountain Regional Center, Inc.

NOTE B – Summary of Significant Accounting Policies

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

NOTE C – Indirect Cost Rate

Valley Mountain Regional Center, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Directors
Valley Mountain Regional Center, Inc.
Modesto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Valley Mountain Regional Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2022, in which we expressed a qualified opinion.

Basis for Qualified Opinion

The Center is using an actuarial valuation provided by the California Public Employees' Retirement System (CalPERS) to estimate the Center's unfunded projected pension obligation and the related pension expense in the accompanying statement of financial position and statement of activities, respectively, that, in our opinion, does not conform to accounting principles generally accepted in the United States of America (GAAP) under the Financial Accounting Standards Board (FASB) standards. The amounts by which this departure affects the liabilities, net deficit, beginning net deficit, expenses, change in net deficit and footnote disclosures of the pension obligation of the Center have not been determined as it is not practicable to quantify.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valley Mountain Regional Center, Inc.'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 Valley Mountain Regional Center, Inc.'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley Mountain Regional Center, Inc.'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.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Modesto, California
March 24, 2022



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

To the Board of Directors
Valley Mountain Regional Center, Inc.
Modesto, California

Report on Compliance for Each Major Federal Program

We have audited Valley Mountain 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 Valley Mountain Regional Center, Inc.'s major federal programs for the year ended June 30, 2021. Valley Mountain Regional Center, Inc.'s major federal 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 Valley Mountain 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Valley Mountain Regional Center, Inc.'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 of Valley Mountain Regional Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Valley Mountain Regional Center, Inc. complied, in all material respects, with the types of 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, 2021.

Report on Internal Control Over Compliance

Management of Valley Mountain Regional Center, Inc. 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 Valley Mountain Regional Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Valley Mountain Regional Center, Inc.'s internal control over compliance.

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

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

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



Kemper CPA Group LLP
Certified Public Accountants and Consultants

Modesto, California
March 24, 2022

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Summary of Audit Results

Financial Statements

Type of auditor's report:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Identification of major programs:	
CFDA #84.181 Special Education - Grants for Infants and Families	
Dollar threshold used to distinguish between Type A and Type B programs was	\$750,000
Auditee qualified as low-risk auditee?	No

FINDINGS - FINANCIAL STATEMENTS AUDIT	None
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FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT	None
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VALLEY MOUNTAIN REGIONAL CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

CURRENT YEAR:

I. Financial Statement Audit

None

II. Major Federal Awards Program Audit

None

STATUS OF PRIOR YEAR:

I. Financial Statement Audit

None

II. Major Federal Awards Program Audit

None

Valley Mountain Regional Center
Contract Status
AS OF: February 28, 2022

	POS including			OPS CPP	POS CPP	CPP Total	FG/SC Total
	OPS	Federal C	General Total				
Current Fiscal Year 2022							
Contract Year C-2	40,037,203	283,738,876	323,776,079	486,684	1,022,115	1,508,799	484,702
Spent to Date	27,215,371	163,528,941	190,744,312	85,638	152,660	238,298	224,245
Unspent	12,821,832	120,209,935	133,031,767	401,046	869,455	1,270,501	260,457
Last Fiscal Year 2021							
Contract Year B-3	34,646,607	253,549,473	288,196,080	424,595	1,640,637	2,065,232	484,702
Spent to Date	33,136,385	246,461,682	279,598,067	424,595	1,605,574	2,030,169	464,462
Unspent	1,510,222	7,087,791	8,598,013	(0)	35,063	35,063	20,240
Second Prior Fiscal Year							
2020 Contract Year A-7	34,180,853	233,400,535	267,581,388	597,168	1,700,050	2,297,218	458,422
Spent to Date	34,175,857	230,240,871	264,416,729	597,168	833,790	1,430,958	398,099
Unspent	4,995.98	3,159,664	3,164,660	-	866,260	866,260	60,323

POS EXPENDITURES

February 28, 2022

	Year to Date	Prior Year to Date	Budget	% of Total Budget
Community Care Facility	62,219,644	60,549,098	100,000,000	62.2%
ICF/SNF FACILITY	72,429	73,162	500,000	14.5%
Day Care	889,362	918,252	1,700,000	52.3%
Day Training	24,788,611	24,367,468	41,766,256	59.4%
Supported Employment	1,174,886	1,149,177	2,500,000	47.0%
Work Activity Program	295,161	325,100	560,000	52.7%
Non-Medical Services-Professional	1,048,507	555,875	2,000,000	52.4%
Non-Medical Services-Programs	16,300,727	14,869,330	28,000,000	58.2%
Home Care Services-Programs	938,563	619,846	1,700,000	55.2%
Transportation	921,302	773,969	2,800,000	32.9%
Transportation Contracts	3,747,908	3,808,600	14,293,620	26.2%
Prevention Services	9,961,188	9,080,566	17,000,000	58.6%
Other Authorized Services	18,717,217	15,595,729	32,000,000	58.5%
P&I Expense	38,506	26,829	75,000	51.3%
Hospital Care	303,750	303,750	700,000	43.4%
Medical Equipment	246,696	226,168	384,000	64.2%
Medical Care Professional Services	2,757,030	2,875,811	5,000,000	55.1%
Medical Care-Program Services	18,553	22,517	56,000	33.1%
Respite-in-Home	18,792,244	19,396,197	32,000,000	58.7%
Respite Out-of-Home	294,666	347,365	640,000	46.0%
Camps	1,990		64,000	3.1%
	163,528,941	155,884,809	283,738,876	57.6%
CPP	152,660	729,813	1,022,115	14.9%
Total Purchase of Service	163,681,601	156,614,622	284,760,991	57.5%

ICF SPA RECEIVABLES \$ 3,136,177

OPERATIONS EXPENDITURES

March 18, 2022

	Year to Date	Prior Year to Date	Budget	% of Total Budget
Salaries and Wages	18,142,083	16,385,054	26,200,000	69.2%
Temporary Help	31,504	242	100,000	31.5%
Fringe Benefits	4,185,561	3,737,372	5,400,000	77.5%
Contracted Employees	96,291	58,071	135,000	71.3%
Salaries and Benefits Total	22,455,439	20,181,739	31,835,000	70.5%

	Year to Date	Prior Year to Date	Budget	% of Total Budget
Facilities Rent	1,487,247	1,410,346	2,100,000	70.8%
Facilities Maintenance	517,636	380,983	750,000	69.0%
Information Technology	1,635,570	1,116,971	2,342,203	69.8%
General Office Expense	230,574	136,297	350,000	65.9%
Operating Expenses	197,681	196,951	325,000	60.8%
Equipment	28,089	36,250	100,000	28.1%
Professional Expenses	334,872	340,922	700,000	47.8%
Office Expenses	62,286	35,730	100,000	62.3%
Travel and Training Expenses	126,807	109,675	300,000	42.3%
Foster Grandparent/Senior Companion Expenses	224,245	292,647	484,702	46.3%
CPP Expense	85,638	74,967	486,684	17.6%
START	139,170	-	1,135,000	12.3%
Total Operating Expenses	27,525,254	24,313,478	41,008,589	67.1%

Operating Expenses: Telephone, Utilities

Equipment: Equipment Purchases, Equipment Contract Leases

Professional Expenses: Accounting Fees, Advertising, ARCA Dues, Bank Fees, Consultants, Insurance, Interest, Legal Fees, Fees, Licenses and Miscellaneous

Office Expenses: Consumer Medical Record Fees, Postage and Shipping, Printing

Travel and Training Expenses: Board of Director Expense, Travel Admin, Travel Consumer Services

Contract Board Approval Report

Contracts Expiring:
3/31/2023

VendorNumber	VendorName	SrvcCode	VendorCategory
HV0628	MERAKEY ALLOS - DELAWARE	900	EBSH

Current Contract:

NTE	EffecDate	ExpDate	ResponsibleStaff	ResponsibleDept
\$754,442	4/1/2022	3/31/2023	Brian Bennett	RD
Rate				
Facility Rate is \$62,870.18/mo (\$15,717.55/cons/mo)				

Proposed Contract:

PropNTE	PropEffDate	PropExpDate	Action:	ActionReason:	Increase/Decrease in NTE \$:	-0.30%
\$752,214	4/1/2021	3/31/2023	Amendment			
PropRate						
Facility Rate is \$62,684.52/mo (\$15,671.13/cons/mo)						

**Valley Mountain Regional Center
Amendment to Independent Contractor Contract**

This Independent Contractor Contract ("Contract") entered into on the 1st day of April 2022, by and between Valley Mountain Regional Center, Inc. ("Center") and Merakey Allos ("Contractor") is hereby amended effective April 1st, 2022, to read as follows:

Page 3, Payment Section 4C is amended effective 4/1/2022 through the end of this contract period to read as follows:

- C. Facility Rate. The Facility Rate is fifteen thousand, six hundred seventy-one dollars and thirteen cents (\$15,671.13) per Consumer per month, as reflected in the completed Department form, DS 6023 Facility Rate Sheet (Exhibit E). Therefore, the maximum Facility Rate component of the Established Rate payable by VMRC under this Agreement shall be sixty-two thousand, six hundred eighty-four dollars and fifty-two cents (\$62,684.52) per month (the "Maximum Monthly Facility Rate"). The Maximum Monthly Facility Rate has been calculated by multiplying the Facility Rate per Consumer by the maximum number of Consumers who are allowed to reside at the Residence at the same time. Any portion of the Facility Rate unfunded by a Consumer placement will be funded in accordance with Section 4 below.

It is agreed that all other terms and conditions of this service contract remain in effect as written.

Accepted and agreed to:

Valley Mountain Regional Center

Dated: _____

By: Brian L. Bennett
Its: Director of Community Services

Contractor
Merakey Allos

Dated: _____

By: Terrence Mc Nelis
Its: Executive Vice President of IDD

RATE DEVELOPMENT - FACILITY COSTS

DS 6023 (Rev 9/2021)

Reset Form

A. FACILITY TYPE

☒ Enhanced Behavioral Supports Home
 ☐ Community Crisis Home
 ☐ Other _____

B. CONTACT INFORMATION

Vendor Name: Merakey Vendor #:

Address: 3511 Delaware Ave

City: Stockton State: CA Zip: 95204

C. CATEGORIES AND DESCRIPTIONS OF COSTS

	Total Monthly Cost	Notes
1. Payroll Costs		
a. Administrator Salary	\$ 10,590.67	See attached schedule
b. Administrator Payroll Taxes	\$ 911.86	8.61%
c. DSP Lead Salary (168 Hours/Week)	\$18,061.33	4 - FTEs - \$26/hr + PRN
d. DSP Lead Payroll Taxes	\$1,555.08	8.61% - Lead DSP sal
e. Workers Compensation	\$1,409.68	4.92% of Lead and Adm
f. Benefit Allowance: Medical, Dental, etc.	\$7,950.93	0.55% 403(b), 27.2% H
g. Other Costs: Describe in notes	\$334.21	See attached schedule
Total Payroll Costs	\$ 40,813.76	
2. Facility Related		
a. Rental, Lease, or Mortgage, include Homeowner's Assoc. Dues	\$ 5,733.00	Lease
b. Property Taxes		
c. Combined Utilities: Gas, Electric, Water, Garbage	\$ 900.00	See attached schedule
d. Janitorial Service, Gardening	\$ 140.83	See attached schedule
e. Transportation: Vehicle, Maintenance, Fuel (not DP/School)	\$ 994.69	See attached schedule
f. Telephone: Long Distance, Cell Phones, Pagers	\$ 220.48	See attached schedule
g. Office Supplies	\$ 324.39	See attached schedule
h. Insurance: Business Liability, Auto	\$ 1,697.32	See attached schedule
i. Fees for Licenses and Memberships	\$ 37.83	See attached schedule
j. Snacks/Food	\$ 1,650.00	See attached schedule
k. Other Costs: Repairs/Maintenance/Modifications	\$ 522.00	See attached schedule
l. Other Costs: Cable and Internet	\$ 247.29	See attached schedule
m. Other Costs: Describe in notes	\$ 9,402.93	See attached schedule
Total Facility Related Costs	\$ 21,870.76	

TOTAL FACILITY COSTS \$ 62,684.52

D. SIGNATURES

Vendor Signature: *Terrence McNelis* Date: April 4, 2022

Print Name: Terrence McNelis, Executive Vice President, IDD Services

Regional Center Representative Signature: Date:

Print Name:

Contract Summary and Board Resolution

Valley Mountain Regional Center's Board of Directors reviewed the contracts below in April 2022 and passed the following resolution:

RESOLVED THAT in compliance with VMRC's BOD Contract Policy, the contracts listed below between VMRC and stated vendors were reviewed and approved by the VMRC BOD in April 2022 and Board hereby authorized any Officer of the corporation to execute the Agreement without material changes but otherwise on such terms deemed satisfactory to such Officer.

1 Central Avenue SLS SV0035 896	\$ 1,440,000
2 Communication Station PV1282 116	\$ 2,460,000
3 Synergy Behavior Consultants, Inc. PV1740 048	\$ 1,400,000
4 Community Anchor Services SV0028 896	\$ 1,380,000
5 OpenDoor Services HV0137 055	\$ 2,198,350
6 OpenDoor Services HV0347 055	\$ 868,217
7 OpenDoor Services HV0138 055	\$ 1,100,000
8 OpenDoor Services HV0122 515	\$ 1,416,000
9 OpenDoor Services HV0395 515	\$ 2,260,364
10 OpenDoor Services HV0479 055	\$ 840,000
11 OpenDoor Services HV0466 515	\$ 680,000
12 Steps Intervention Services PV1291 116	\$ 1,080,000
13 Transitional Coaching and Development Institute HV0490 055	\$ 360,000
14 Trust Management Services PA0337 034	\$ 700,000
15 UCP San Joaquin H29232 510	\$ 720,000
16 UCP San Joaquin HV0159 510	\$ 1,029,738
17 UCP San Joaquin HV0264 055	\$ 670,140
18 UCP San Joaquin H29312 116	\$ 1,608,582
19 UCP San Joaquin H29413 862	\$ 435,418
20 UCP San Joaquin HV0009 510	\$ 1,650,445
21 UCP San Joaquin HV0418 055	\$ 725,000
22 UCP San Joaquin PV0937 062	\$ 311,777
23 UCP San Joaquin S29405 896	\$ 840,000
24 UCP San Joaquin HV0398 515	\$ 456,000
25 Beyond Behavior California, LLC PV3035 048	\$ 540,000
26 Bright Futures #3 HV0498 113	\$ 815,498
27 Bright Futures 1 HV0427 113	\$ 894,548
28 Bright Futures 2 HV0428 113	\$ 886,916
29 Khan Guest Home LLC HV0448 113	\$ 847,522
30 Shadman House PV1763 109	\$ 360,000
31 Shadman House HV0472 113	\$ 886,916
32 Steps Home HV0446 113	\$ 886,916
33 YAI HV0631 CCH	\$ 779,836
34 Merakey Delaware HV0628 EBSH	\$ 752,214

VMRC Board of Directors hereby authorizes and designates any office of VMRC to finalize, execute and deliver the Contract on behalf of VMRC, in such form as VMRC's counsel may advise, and on such further terms and conditions as such Officer may approve. The final terms of the Contract shall be conclusively evidence by the execution of the Contract by such Officer. For purposes of this authorization, and "Officer" means VMRC's Executive Director, Chief Financial Officer and no one else.

Certification by Secretary: I certify that: (1) I am the Secretary of VMRC; (2) the foregoing Resolution is a complete and accurate copy of the Resolution duly adopted by VMRC's Board of Directors; (3) the Resolution is in full force and has not been revoked or changed in any way.

Lynda Mendoza, Board Secretary

Date