



VMRC Finance Committee Meeting

Wednesday, May 14, 2025

4:30 PM – 5:00 PM

HYBRID

Valley Mountain Regional Center
702 N. Aurora Street
Stockton, CA 95202

Zoom:

<https://us06web.zoom.us/j/89316884886?pwd=4lZPf8OfxuqNBLIGe8uP6gv7NxLVB4.1>

Webinar ID

893 1688 4886

Passcode: 888979



VMRC Finance Committee Meeting

May 14, 2025

- A. Call to Order, Roll Call, Review of Meeting Agenda – Dr. Steve Russell
- B. Review and Approval of the Finance Committee Minutes of 03/12/25 - Dr. Steve Russell
Action
- C. Public Comment – Dr. Steve Russell
 - *Each member of the public may have 3 minutes for comment. If an interpreter is needed, 6 minutes will be given. Public comment can address items on the agenda that have been properly noticed for action and/or items that are not on the agenda, however, items not on the agenda cannot be responded to or discussed in the public board meeting because they are not properly noticed items (7 days advance notice).*
- D. Fiscal Department Update – Aiko Blancaflor
 - 1. **CPA Auditors FY 21-22 Audit Report - Windes**
 - 2. **Financial Report – Aiko Blancaflor**
Action
- E. Next Meeting – Wednesday, July 9, 2025, at 4:30 p.m. in-person and Zoom
- F. Adjournment – Dr. Steve Russell



Minutes for VMRC Finance Committee Meeting **3/12/25 | 4:30 PM – 5:00 PM**

Valley Mountain Regional Center, Stockton Office, Cohen Board Room and via Zoom Video Conference

Committee Members Present: Alicia Schott, Lisa Utsey, Jody Burriss, Connie U.

Committee Members not Present: Dr. Steve Russell (informed absence),

VMRC Staff Present: Midori Perez, Gabriela Lopez, Aiko Blancaflor, Tara Sisemore-Hester, Leinani Walter, Lizzie Valerio, Donna Siosin, Athena Jurado, Christine Couch

Public Present: Iene Hernandez (Interpreter), Xavier Chin (ASL Interpretation), Isela Bingham (interpreter)

A. Call to Order, Roll Call, Review of Meeting Agenda

Alicia Schott called the meeting to order at 4:32pm.

B. Review and Approval of the Finance Committee Minutes of 01/08/2025

Alicia made the motion to approve the finance Committee Minutes of January 8, 2025. Lisa motioned to approve. Jody seconded the motion. The Finance Committee minutes were approved unanimously.

C. Public Comment

There is no public comment.

D. Fiscal Department Update

Aiko reported on the Contract Status Report, they did not receive any allocation for any of the 3 open fiscal years, The report reflects payments made up until January 31st, as the end of 7th month of current fiscal year. 56.5% of the POS budget has been spent and 59.1% of the Operations budget has been expended. Both CPP POS projections are exceeding their amounts, but expect to receive additional funding in the upcoming contract amendments to cover projected costs. We are supposed to get our A2 allocations by end of this week.

We expect an increase in interest income account, as F&M Bank has approved our request for a higher-interest account which will help offset operational expenses.

Connie asked if the F&M Bank account is a money market account and if they made an exception to the standard or a higher request percentage. Aiko reported

the initially they were only offering 1%, in her prior experience we can get up to 2.5 – 3%, they went back to management team and they were able to offer VMRC 3%. Leinani thanked Aiko for her advocacy in increasing that percentage which Valley Mountain has not had in recent years.

Alicia asked for a motion to approve the financial report as provided. Jody made a motion to pass. Connie seconded the motion. The motion passed unanimously.

E. Next Meeting – Wednesday, May 14, 2025, at 4:30 p.m. in-person and Zoom

F. Adjournment at 4:44pm

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For Management Review Only

VALLEY MOUNTAIN REGIONAL CENTER, INC.

FINANCIAL STATEMENTS
JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Valley Mountain Regional Center, Inc. (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Mountain Regional Center, Inc. (the Center) as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Note 7, the Center provides retirement benefits through its participation in the California Public Employees Retirement System ("CalPERS"). Because most of the member entities in CalPERS are governmental entities, CalPERS calculates the members' funded or unfunded status using methods and actuarial assumptions promulgated by Government Accounting Standard Board in GASB Statement No. 68, Accounting and Financial Reporting for Pensions. As a nonprofit organization, the Center is required to use the accounting framework based on standards promulgated by the Financial Accounting Standard Board ("FASB"), and Accounting Standards Update 715 (ASU 715) – Compensation: Retirement Benefits – Defined Benefit Pension Plans, which requires different methods and actuarial assumptions than GASB. The Center reports its unfunded status using the actuarial report provided by CalPERS using GASB Statement No. 68 methods and actuarial assumptions, which are departures from accounting principles generally accepted in the United States of America. Management did not prepare an actuarial report in accordance with FASB's methods and actuarial assumptions. Accordingly, we were unable to obtain sufficient appropriate audit evidence about the Center's amounts reported on the financial statements as pension plan liability and changes other than net periodic pension benefit costs by other auditing procedures. The effects on the accompanying financial statements of not recording the pension plan liability and related accounts in accordance with FASB have not been determined.

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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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of Matter

As discussed in Note 1, beginning July 1, 2021 the Center early adopted Accounting Standards Updates (ASU) No. 2016-02, Leases (Topic 842) and ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326) using the modified-retrospective transition method. Our opinion is not modified with respect to this matter.

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Supplementary 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* 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 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 [REPORT DATE], 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Valley Mountain Regional Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valley Mountain Regional Center, Inc.'s internal control over financial reporting and compliance.

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Long Beach, California
[REPORT DATE]

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

ASSETS

Cash and cash equivalents	\$ 26,208,977
Receivables from Intermediate Care Facility vendors, net	2,672,294
Due from state – accrued vacation	3,377,229
Deposits and other assets	965,350
Operating lease right-of-use assets	10,976,097
Post-retirement health care plan benefit	<u>524,786</u>

TOTAL ASSETS	<u>\$ 44,724,733</u>
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LIABILITIES AND NET DEFICIT

LIABILITIES

Accounts payable	\$ 27,441,313
Contract advance – state of California	4,378,433
Due to state	1,494,110
Accrued vacation and other employee benefits	3,382,362
Operating lease liabilities	11,487,357
Pension plan obligation	<u>8,103,119</u>
	<u>56,286,694</u>

COMMITMENTS AND CONTINGENCIES (Note 8)

NET DEFICIT

Without donor restrictions	(12,031,794)
With donor restrictions	<u>469,833</u>
	<u>(11,561,961)</u>

TOTAL LIABILITIES AND NET DEFICIT	<u>\$ 44,724,733</u>
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The accompanying notes are an integral part of these financial statements.

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

CHANGE IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS

SUPPORT AND REVENUE

Contracts – state of California	\$ 302,532,567
Intermediate Care Facility supplemental services income	3,475,602
Other income	<u>201,155</u>
Total Support and Revenue Without Donor Restrictions	306,209,324
Net assets released from restrictions	<u>-</u>
Total Support and Revenue	<u>306,209,324</u>

EXPENSES

Program Services:	
Direct consumer services	295,327,495
Supporting Services:	
General and administrative	<u>14,161,733</u>
Total Expenses	<u>309,489,228</u>

INCREASE IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS (3,279,904)

CHANGE IN WITH DONOR RESTRICTIONS NET ASSETS

Contributions	363,067
Net assets released from restrictions	<u>-</u>

INCREASE IN WITH DONOR RESTRICTIONS NET ASSETS (DEFICIT) 363,067

CHANGE IN NET DEFICIT BEFORE PENSION RELATED CHANGES

OTHER THAN NET PERIODIC POST-RETIREMENT BENEFIT COST (2,916,837)

Pension related changes other than net periodic benefit costs	<u>11,140,397</u>
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CHANGE IN NET DEFICIT 8,223,560

NET DEFICIT AT BEGINNING OF YEAR (19,785,521)

NET DEFICIT AT END OF YEAR \$ (11,561,961)

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

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Direct Consumer Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries	\$ 23,379,262	\$ 2,798,697	\$ 26,177,959
Payroll taxes and employee benefits	6,658,617	797,093	7,455,710
Total salaries and payroll taxes and employee benefits	30,037,879	3,595,790	33,633,669
Purchase of services:			
Residential services	98,254,339	-	98,254,339
Day program	43,013,423	-	43,013,423
Other purchased services	123,670,627	-	123,670,627
Communication	-	59,979	59,979
Information technology	-	2,472,523	2,472,523
Printing	-	29,201	29,201
Insurance	-	146,808	146,808
General office expenses	124,623	678,409	803,032
Facility and equipment rent	-	2,535,690	2,535,690
Equipment and facility maintenance	-	727,702	727,702
Consultant fees	90,092	326,715	416,807
ARCA dues	-	102,693	102,693
Bad debt expense	-	3,268,012	3,268,012
Board expenses	-	4,198	4,198
Legal and professional fees	-	148,118	148,118
Staff travel	136,512	65,895	202,407
TOTAL EXPENSES	<u>\$ 295,327,495</u>	<u>\$ 14,161,733</u>	<u>\$ 309,489,228</u>

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

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 8,223,560
Adjustments to reconcile change in net assets to net cash from operating activities:	
Allowance for bad debt	3,268,012
Change in operating assets and liabilities:	
Contracts receivable – state of California	7,641,934
Receivable from Intermediate Care Facility vendors	(3,141,806)
Due from state – accrued vacation	(569,226)
Deposits and other assets	(919,447)
Operating lease right-of-use assets	1,442,736
Post-retirement health care plan benefit	(456,699)
Accounts payable	2,070,691
Contracts advance - state of California	4,378,433
Due to state	1,494,110
Accrued vacation and other employee benefits	(606,341)
Operating lease liabilities	(931,476)
Retirement health care plan obligation	<u>(10,381,778)</u>
Net Cash Provided By Operating Activities	<u>11,512,703</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS	11,512,703
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>14,696,274</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 26,208,977</u>
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The accompanying notes are an integral part of these financial statements.

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – Summary of Significant Accounting Policies

Basis of Presentation

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 Center is one of 21 regional centers within California and services areas including 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.

State of California Contract

The Center contracts with the State Department of Developmental Services (DDS) to operate a regional center for individuals with developmental disabilities and their families. The Center's contract with DDS totaled \$329,377,924 and are subject to budget amendments. Amounts received from the DDS contract are recognized as revenue when the Center has incurred qualifying expenditures per the DDS contract. Amounts received prior to incurring qualifying expenditures are recorded as contract advances and netted with contract receivable on the statement of financial position to the extent there are receivables due from DDS. As of June 30, 2022, actual net expenditures were approximately \$295,544,000 for the 2021-2022 contract. The remaining amount on the 2021-2022 contract where the Center can be reimbursed for qualifying expenditures is approximately \$33,834,000 subject to any future budget amendments.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

State of California Contract (Continued)

As discussed above, the Center operates under contracts with DDS and is only funded on a cost reimbursement basis as expenses are paid. However, generally accepted accounting principles in the United States of America (U.S. GAAP) require the Center to recognize and accrue expenses when incurred. The Center's without donor restrictions net deficit as of June 30, 2022 on the statement of financial position is primarily the result of the accruals of pension and post-retirement plan obligations and uncollectible ICF-SPA receivables.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, revenue is recognized when earned and expenses are recognized when the obligation is incurred. Reimbursements from DDS are considered earned when a qualifying expense is incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Principal areas requiring the use of estimates are assumptions utilized for the pension plan benefit and post-retirement benefit obligations and the functional allocation of expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Adoption of Accounting Standards

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued new lease accounting guidance in Accounting Standards Update (ASU) 2016-02 *Leases* (Topic 842) (ASU 2016-02), which modifies lease accounting for lessees to increase transparency and comparability by requiring the Center to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Effective July 1, 2021, the Center adopted ASU 2016-02. The Center determines if an arrangement contains a lease at inception based on whether the Center has the right to control the asset during the contract period and other facts and circumstances. The Center elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed it to carry forward the historical lease classification.

The Center's policy for determining its lease discount rate used for measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Center has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Center has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statement of activities in the period in which the obligation for the payments is incurred.

The Center adopted ASU 2016-02 utilizing the modified-retrospective transition method through a cumulative-effect adjustment. The adoption of ASU 2016-02 resulted in the recognition of right-of-use assets and operating lease liabilities of \$12,418,833, as of July 1, 2021. The adoption of ASU 2016-02 did not have a material impact on the Center's results of operations, cash flows, or debt covenants.

Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 requires the measurement of all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU specifically excludes contributions receivable and any investments that would be held by the Center. The Center early adopted ASU 2016-13, effective July 1, 2021. There was no material effect on the financial statements as a result of the adoption of ASU 2016-13.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Center is required to report information regarding its financial position and activities according to two classes of net assets, without donor restrictions and with donor restrictions, based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Center reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2022, the Center had no permanently restricted net assets.

Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the statement of cash flows, the Center considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. At June 30, 2022, and at various times during the year, the Center has maintained cash balances in its bank in excess of federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contract Advance - State of California

Contract Advance is reported net of contracts receivable. Contracts receivable and contract support are recorded on the accrual method as related expenses are incurred. Management believes all amounts are collectible as of June 30, 2022, and, therefore, the Center has not established an allowance for credit losses against the contract receivable.

Due to State

Amounts recognized as Due to State results from contracts funding received in excess of eligible reimbursable expenditures and contract advance funding from DDS. To the extent, there are excess funds, the Center recognizes the excess amounts as Due to State on the statement of financial position.

Receivables from Intermediate Care Facility Vendors

The Centers for Medicare and Medicaid Services (CMS) approved federal financial participation in the funding of day and related transportation services purchased by the Center for consumers who reside in Intermediate Care Facilities (ICFs). CMS agreed that the day and related transportation services are part of the ICF service; however, the federal rules allow for only one provider of ICF service. Accordingly, all the Medicaid funding for the ICF residents must go through the applicable ICF provider. The Center receives a 1.5% administrative fee based on the invoice submitted to DDS for the administrative work to implement the state plan amendment.

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Receivables from Intermediate Care Facility Vendors (Continued)

For the year ended June 30, 2022, the Center noted \$3,268,012 of ICF receivable that were potentially deemed uncollectible due to the amounts being associated with contract periods already closed by DDS. The Center is currently reviewing its appeal process with DDS to collect the receivable balances but has recognized an allowance for credit losses of \$3,268,012 against the ICF receivable. A corresponding amount of bad debt expense has been recognized on the statement of functional expenses for the year ended June 30, 2022. As of June 30, 2022, receivables from ICF vendors net of allowance for credit losses totaled \$2,672,294.

State Equipment

In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Foundation is required to maintain memorandum records of equipment purchases and dispositions. Equipment purchases are recorded as supporting or program service expenses when they are incurred. State equipment purchases for the year ended June 30, 2022 totaled approximately \$181,000.

Accrued Vacation and Other Leave Benefits

The Center has accrued a liability and a receivable from the State for accrued vacation and other leave benefits earned. These expenses are compensable costs per the terms of the DDS contract and will become billable and reimbursable under the terms of the DDS contract when they are actually paid to employees.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and nature of any donor-imposed restrictions.

Contributions, including pledges, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

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 increases in net assets with donor restrictions. When a donor's stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Permanently restricted contributions have restrictions stipulated by the donor that the corpus be invested in perpetuity and only the income be made available for operations.

Obligation for Retirement Pension Benefits Obligation

The Center is required to recognize the unfunded 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, in the statement of financial position, with an offsetting charge or credit to net assets (deficit). The Center has accrued a liability for the CalPERS pension. The Center has also recorded a receivable from the State for pension benefit obligation to reflect the future reimbursement of such benefits. However, such benefits are reimbursed under the State contract only when actually paid.

Post-Retirement Healthcare Plan

The Center is required to recognize the funded status of the Postretirement Healthcare Plan, measured as the difference between plan assets at fair value and the benefit obligation, in the statement of financial position, with an offsetting charge or credit to net assets (deficit). The Center has accrued a liability for the Post-Retirement Healthcare Plan. Gains or losses and prior service costs will be recognized each year as a separate charge or credit to net assets (deficit). Such expenses are compensable costs incurred under the terms of the DDS contract and will become billable and reimbursable only if they are paid.

Allocation of Expenses

The statements of functional expenses allocate 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 general office expenses and consultant fees, which are allocated on a direct-cost basis.

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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. Tax-exempt status is generally granted to nonprofit entities organized for charitable or mutual benefit purposes.

The Center recognizes the financial statement benefit of tax positions, such as a filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Center is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Subsequent Events

The Center's management has evaluated subsequent events from the statements of financial position date through [REPORT DATE], the date the financial statements were available to be issued for the year ended June 30, 2022, and determined there are no other items to disclose, except as discussed in Note 3, Note 5, and Note 9.

NOTE 2 – Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year of the statement of financial position for general expenditure, such as operating expenses, were as follows:

Financial assets:	
Cash and cash equivalents	\$ 26,208,977
Receivable from Intermediate Care Facility vendors	<u>2,672,294</u>
	28,881,271
Less financial assets not available for general expenditures:	
Restricted by donor with purpose	<u>(469,833)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 28,411,438</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – Financial Assets and Liquidity Resources (Continued)

According to the Center's contract with DDS, the State and the regional centers have agreed to work together to build the budget for the regional center system using the best quality data and information available. This budget provides data to assist in building the Governor's January Budget and the May Revised Budget.

Additionally, each regional center submits a monthly purchase of service expenditure projection to DDS, beginning in December of each fiscal year. By February 1st of each year, DDS allocates, to all regional centers, no less than one hundred percent (100%) of the enacted budget for Operations and ninety-nine percent (99%) of the enacted budget for Purchase of Service. To do this, it may be necessary to amend the Foundation's contract in order to allocate funds made available from budget augmentations and to move funds among regional centers. In the event that DDS determines that a regional center has insufficient funds to meet its contractual obligations, DDS shall make best efforts to secure additional funds and/or provide the regional center with regulatory and statutory relief.

The Center regularly monitors its liquidity that is required to meet its operating needs and contractual commitments. The Center's sources of liquidity at its disposal include cash and cash equivalents, contracts receivable, other receivables, and investments. The Center's major resources are from the state of California in the form of reimbursement of qualified expenses. The Center operates a budget that is allocated and reimbursed by DDS annually to cover general expenditures.

For purposes of analyzing resources required to meet operating expenses over a 12-month period, the Center considers all expenditures and the pattern of all incomes related to its ongoing activities. The Finance Committee of the Board meets regularly to review all financial aspects of the Center.

The Center maintains a line of credit (see Note 5) to manage cash flow requirements during the months of May through October as needed to cover any delays in cash advances and reimbursements over the beginning of the fiscal year.

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – Contract Advance– State of California

The Center's major source of revenue is from the state of California. Each fiscal year, the Center enters into 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.

As of June 30, 2022, DDS had advanced the Center \$90,872,073 under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these receivables have been offset against the claims advance from DDS contracts as follows:

Contract receivable - State of California	\$ 95,250,506
Less: Contracts advance - State of California	<u>(90,872,073)</u>
Net contract advance	<u>\$ 4,378,433</u>

The Center has renewed its contracts for the following fiscal years:

Fiscal Year Ending	Initial Funding and Amendments, If Any
June 30, 2023	\$ 392,100,667
June 30, 2024	\$ 473,305,210
June 30, 2025	\$ 572,310,535

NOTE 4 – Lease Arrangements

The Center has entered into various leases for office facilities. The lease terms expire at various dates through 2034. Certain leases contain provisions for renewal options and for increasing rent due to increased expenses, taxes, and cost of living. Only lease options that the Center believes are reasonably certain to exercise as of June 30, 2022 are included in the measurement of the lease assets and liabilities. In addition, the Center is required to pay for insurance on certain premises.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – Lease Arrangements (Continued)

While all of the agreements provide for minimum lease payments, some include payments adjusted for inflation or for variable payments based on a percentage of sales over contractual levels. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the statements of financial position which include amounts for operating leases as follows:

Operating lease right-of-use assets	<u>\$ 10,976,097</u>
Operating lease liabilities	<u>\$ 11,487,357</u>

The components of operating lease expenses that are included in facility rent and maintenance on the statement of functional expenses are as follows:

Operating lease costs	<u>\$ 2,027,930</u>
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The following summarizes the cash flow information related to leases for the year ended June 30, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 931,476
Right-of-use assets obtained in exchange for operating lease liabilities in adopting ASC 842	\$ 12,418,833

The weighted-average remaining lease term and discount rate for operating leases as of June 30, 2022 was follows:

Weighted-average remaining lease term	9.24 years
Weighted-average discount rate	1.35%

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – Lease Arrangements (Continued)

The maturities of operating lease liabilities as of June 30, 2022 are as follows:

Year Ending June 30,	
2023	\$ 1,995,181
2024	1,997,840
2025	1,312,944
2026	1,100,517
2027	1,129,295
Thereafter	<u>4,610,061</u>
Total minimum lease payments	12,145,838
Less amount representing interest	<u>(658,481)</u>
Present value of minimum lease payments	<u>\$ 11,487,357</u>

NOTE 5 – Line of Credit

The Center has a revolving line of credit agreement with a bank whereby it could borrow up to \$15,000,000. Borrowings were secured by substantially all assets of the Center with interest payable monthly at the bank's prime rate (4.75% at June 30, 2022) The agreement matured on November 30, 2022 and has been renewed annually subsequently and matures November 2025. There was no balance outstanding as of June 30, 2022.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – 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. The actuarial assumptions are summarized below:

Valuation Date

June 30

Economic Assumptions

Discount Rate

Used to determine Net Periodic Benefit Cost	4.65%
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Long-term Rate of Return

on Plan Assets

Used to determine Net Periodic Benefit Cost	6.25%
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Used to determine Benefit Obligations	4.65%
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Health Cost Trend

Health care cost trend rate assumed for next year	4.00%
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Number of Participants

Active participants	361
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Retired participants	50
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VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – Post-Retirement Health Care Plan (Continued)

Economic Assumptions (Continued)

The Center is required to recognize an expense each year equal to the Net Periodic Post-Retirement Benefit Cost. 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 statement 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, is unamortized actuarial loss of \$758,619 as of June 30, 2022, which is included as prepaid expenses on the statement of financial position.

Reconciliation of Benefit Obligation

The following table provides a reconciliation of the changes in the plan's benefit obligations for the year ended June 30, 2022:

Change in benefit obligation	
Obligation at beginning of year	\$ 9,074,919
Service cost	475,068
Interest cost	239,450
Assumption change (gain) or loss	(1,853,204)
Experience gain	(731,898)
Benefits paid	<u>(171,080)</u>
Benefit obligation at end of year	<u>\$ 7,033,255</u>

The following table provides a reconciliation of the changes in the plan's assets for the year ended June 30, 2022:

Change in plan assets	
Fair value of plan assets at beginning of year	\$ 9,143,006
Actual return on plan assets	(1,413,885)
Benefits paid	<u>(171,080)</u>
Fair value of plan assets at end of year	<u>7,558,041</u>
Net amount recognized in the statements of financial position	<u>\$ 524,786</u>

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – Post-Retirement Health Care Plan (Continued)

Reconciliation of Benefit Obligation (Continued)

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

Assumption gain	\$ (731,898)
Change in assumption	(1,853,204)
Amortization of prior-period costs	(153,494)
Loss on assets	<u>1,979,977</u>
Net periodic post-retirement benefit cost	<u>\$ (758,619)</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – Post-Retirement Health Care Plan (Continued)

Plan Assets (Continued)

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 149,306	\$ -	\$ -	\$ 149,306
Equities	4,710,737	-	-	4,710,737
Fixed income	<u>2,697,998</u>	<u>-</u>	<u>-</u>	<u>2,697,998</u>
 Total	 <u>\$ 7,558,041</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 7,558,041</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.

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.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – Post-Retirement Health Care Plan (Continued)

Cash Flow Estimates for Future Benefit Payments

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

For the Year Ending June 30,	
2023	\$ 238,078
2024	252,918
2025	270,128
2026	293,262
2027	295,192
2028-2032	<u>1,878,683</u>
	<u>\$ 3,228,261</u>

NOTE 7 – Pension Plan (Unaudited)

The Center has a defined benefit pension plan covering all employees through the California Public Employees' Retirement System ("CalPERS"). All employees are, immediately upon hire, enrolled in the pension plan. Participants with at least five years of service credits are fully vested.

The Center obtained accounting valuation reports from CalPERS for the year ended June 30, 2022. These reports rely on liabilities and related validation work performed by the CalPERS' actuarial office as part of the June 30, 2021 funding valuation for the Plan. The June 30, liability, which was rolled forward to June 30, 2022, and used for this accounting valuation, is based on actuarial assumptions adopted by the CalPERS Board of Administration which are consistent with methods and actuarial assumptions promulgated by the Government Accounting Standards Board ("GASB").

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – Pension Plan (Unaudited) (Continued)

As a nonprofit organization, the Center is required to follow the accounting framework based on standards promulgated by the Financial Accounting Standards Board (“FASB”), and Accounting Standards Update 715 (ASU 715) – *Compensation: Retirement Benefits – Defined Benefit Pension Plans*. FASB and the ASU require different methods and actuarial assumptions than GASB when preparing the valuation reports.

The Center has opted to utilize the valuation reports from CalPERS to record the unfunded defined benefit pension liability on the statement of financial position and recognize the changes in the funded status on the statement of activities and changes in net assets based on these valuation reports, which does not follow U.S. GAAP for non-profits. The auditors’ opinion on the financial statements has been modified due to this departure from U.S. GAAP.

The following summarizes the GASB valuation reports from CalPERS:

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate-smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-2016 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets.

The Public Employees’ Retirement Law (Part 3 of the California Government Code, §20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

The unfunded liability as of June 30, 2022 was as follows:

Benefit obligation	\$ 108,804,394
Market value of assets	<u>(100,701,275)</u>
Unfunded liability	<u>\$ 8,103,119</u>

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – Pension Plan (Unaudited) (Continued)

The changes in benefit obligation for the year ended June 30, 2022 were as follows:

Obligation at beginning of year	\$ 99,466,607
Service cost	13,010,386
Benefits paid	<u>(3,672,599)</u>
 Obligation at end of year	 <u>\$ 108,804,394</u>

A reconciliation of the market value of assets over the prior years was as follows as of June 30, 2022:

Fair value of plan assets at beginning of year	\$ 80,981,710
Employer contribution	3,238,350
Employee contribution	1,658,497
Benefits paid	(3,672,599)
Actual gain on plan assets	18,597,515
Administrative expenses	<u>(102,198)</u>
 Fair value of plan assets at end of year	 <u>\$ 100,701,275</u>
 Net amount recognized in the statement of financial position	 <u>\$ 8,103,119</u>

The significant actuarial assumptions at June 30, 2022 are as follows:

Long-term discount rate	6.80%
Payroll growth	2.80%
Expected long-term rate of return	4.50%

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – Pension Plan (Unaudited) (Continued)

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

The asset allocation of assets shown above reflects the values of the Public Employees Retirement Fund (the “PERF”) in its entirety as of June 30, 2022. The assets for the Center are part of the PERF and are invested accordingly. The funded status of the Center’s retirement plan is 92.6% as of June 30, 2021. For the year ended June 30, 2022, the actuarial computed employer contribution rates were 14.52%.

Sensitivity of the Unfunded Liability to Changes in the Discount Rate

Decrease of 1% (5.80%)	\$ 24,540,843
Current discount rate (6.80%)	\$ 8,103,119
Increase of 1% (7.80%)	\$ (5,318,265)

For the year ended June 30, 2022, the computed employer contribution rate was 15.52%. The employer and employee contribution paid to CalPERS during the year ended June 30, 2022 was \$4,896,847.

NOTE 8 – Commitments and Contingencies

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 at June 30, 2022, 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.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – Commitments and Contingencies (Continued)

The Center retains approximately 78% of its labor force through Social Services Union Local 1021, Service Employees International Union. This labor force is subject to a collective bargaining agreement (the agreement) and, as such, renegotiation of such agreement could expose the Center to an increase in hourly costs and work stoppages. The agreement is effective through November 1, 2025. The agreement is automatically renewed unless the Union or the Center notifies the other party in writing, not less than sixty days before the end of the term, of the party's desire to terminate, change, amend or add to the agreement.

Legal Proceedings

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.

NOTE 9 – Subsequent Events

New Office Lease Agreement

In May 2023, the Center entered into a lease agreement with an effective date of October 2023, for a new office space. The lease has a term of 10 years, with two renewal options, each for an additional 5 years. Monthly lease payments of \$30,327 start in January 2024 and will increase annually in accordance with the terms specified in the lease agreement.

Modesto Office Lease Extension

In May 2024, the Center signed an agreement to extend the lease of the Modesto branch for an additional ten years, effective October 1, 2024, and continuing through September 30, 2034. The extension provides for monthly lease payments of \$76,200, starting October 1, 2024. Monthly payments will increase annually in accordance with the terms specified in the lease agreement.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Identification Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education Passed through State of California Department of Developmental Services Special Education – Grants for Infants and families	84.181	H181A150037	\$ 3,057,453
U.S. Corporation for National and Community Service Passed through State of California Department of Developmental Services Foster Grandparent Program	94.011	19SFPCA002	<u>215,615</u>
U.S. Department of Health and Human Services COVID-19 - Provider Relief Fund	93.498	FY 2021	91,005
COVID-19 - Provider Relief Fund	93.498	FY 2021	<u>36,806</u>
			<u>127,811</u>
		Total federal expenditures	\$ <u>3,400,879</u>

See accompanying notes to schedule of expenditures of federal awards.

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. The information in the 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 AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

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. (the Center), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [REPORT DATE], which we expressed a qualified opinion.

Basis for Qualified Opinion

The Center is using an actuarial valuation provided by California Public Employees Retirement System (CalPERS) to estimate Valley Mountain Regional Center, Inc.'s unfunded pension obligation and the related pension expense in the Center's financial statements, which does not conform to accounting principles generally accepted in the United States. CalPERS calculates the members' funded or unfunded status using methods and actuarial assumptions promulgated by Government Accounting Standard Board (GASB) in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a nonprofit organization, Valley Mountain Regional Center, Inc. is required to use the accounting framework based on standards promulgated by the Financial Accounting Standard Board (FASB), and Accounting Standards Update 715 (ASU 715), *Compensation: Retirement Benefits – Defined Benefit Pension Plans*, which requires different methods and actuarial assumptions than GASB. Accordingly, we were unable to obtain sufficient appropriate audit evidence about Valley Mountain Regional Center, Inc.'s amounts reported on the financial statements as pension plan liability, contracts – state of California and changes other than net periodic pension benefit costs. The effects on the accompanying financial statements of the failure to record the pension plan liability and related accounts in accordance with FASB have not been determined.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valley Mountain Regional Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Valley Mountain Regional Center, Inc.'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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-01 through 2022-03 that we consider to be material weaknesses.

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-04.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

**PRELIMINARY DRAFT
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For Management Review Only**

Long Beach, California

[REPORT DATE]

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Valley Mountain Regional Center, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. Valley Mountain Regional Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Valley Mountain Regional Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questions costs as item 2022-04 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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For Management Review Only

Long Beach, California

[REPORT DATE]

VALLEY MOUNTAIN REGIONAL CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

The independent auditors' report expresses a qualified opinion on whether the financial statements of Valley Mountain Regional Center, Inc. were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting:

Material weakness(es) identified? – Yes

Significant deficiencies identified? – None reported

Noncompliance material to financial statements noted? – None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? – Yes

Significant deficiencies identified? – None reported

Type of auditors' 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:

Special Education – Grants for Infants and Families, Federal Assistance Listing #84.181.

Dollar threshold used to distinguish between type A and type B programs was \$750,000.

Auditee qualified as low-risk auditee? – No

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT

2022-01 Contracts – State of California

Condition:	During the initial stages of the audit, management noted contract revenues and receivables from the state of California were not up to date as the reconciliation and maintenance of those accounts had not been performed for several months. As a result, management required additional time to research submitted claims and cash receipts to properly reconcile state receivables and revenues. Ultimately, adjustments to revenues and receivables of approximately \$24.6 million and \$34.5 million, respectively, were recorded to properly close out the fiscal year.
Criteria:	Management is responsible for establishing and maintaining effective internal controls to ensure accurate and timely reporting of financial data. This would include timely recognition of contracts revenue when claims are filed with the state and receivables are adjusted accordingly when cash receipts or offsets letters are received.
Cause:	Financial accounting personnel were not properly following established controls related to recognition of contracts revenue and cash receipts for the year ended June 30, 2022.
Effect:	Inaccurate financial data limits management's ability to appropriately make sound financial decisions for the Center. Additional resources and effort were redirected from normal operations of the Center to properly research and adjust the 2022 financial statements.
Recommendation:	We recommend that the Center review its staffing level for financial reporting to ensure the appropriate number of personnel are in place to follow the Center's written policies and procedures over the financial close process. This should include reconciling and reporting contracts revenue and state claim receivable. The financial close process should be overseen by the Chief Financial Officer (CFO).

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

2022-01 Contracts – State of California (Continued)

**Management
Response**

We recognize the critical role that timely and accurate reconciliation of receivables and revenue plays in maintaining the integrity of financial reporting and have initiated corrective actions to enhance internal controls. Reconciliation procedures have been updated to define clearer timelines, responsibilities, and escalation protocols. The accounting team is receiving targeted training to reinforce timely completion and adherence to documentation standards. A monthly reconciliation and review process, overseen by the Chief Financial Officer, has been implemented to ensure accuracy, accountability, and completeness. We remain committed to resolving this finding promptly and maintaining compliance with the best practices.

2022-02 Bank Reconciliations

Condition: During the beginning stages of the audit, it was noted that cash accounts had not been reconciled to monthly bank statements since September 2021 and the reported cash on the original trial balance was inaccurate. As such, management needed additional time to review bank statements and bank reconciliations for the entire year to ensure cash was properly stated for the start of the audit. An adjustment of approximately \$1.5 million was recorded by management prior to the start of the audit.

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting, including cash management.

Cause: The former CFO at the Center was not appropriately delegating bank reconciliations duties to staff which led to backlog of monthly bank statement reconciliations.

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VALLEY MOUNTAIN REGIONAL CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

2022-01 Contracts – State of California (Continued)

Effect: Cash balances in the trial balances was inaccurate and management was unable to rely on financial data during the year to make sound financial decisions impacting the Center's operations.

Recommendation: We recommend the Center implement formal policies and procedures to reconcile cash accounts to the monthly bank statements. In addition, the CFO should review the month end bank statement reconciliations as part of the month end closing process to ensure cash accounts are properly stated.

Management Response We acknowledge the audit finding concerning the untimely completion of bank reconciliations and inaccuracies in the cash trial balance. To address this, we have implemented a structured monthly reconciliation schedule with designated responsibilities to ensure reconciliations are completed promptly and accurately. The reconciliation process has been standardized to include thorough review steps and supporting documentation, and the trial balance procedures have been updated to incorporate crosschecks between general ledger and bank statements. Oversight has been strengthened under the supervision of the Chief Financial Officer to ensure accuracy, accountability and timely resolution of discrepancies. We are committed to maintaining clear and consistent reconciliation practices and ensuring ongoing compliance with accounting standards.

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For Management Review Only

VALLEY MOUNTAIN REGIONAL CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

2022-03 Year End Close Procedures

Condition:	For the year ended June 30, 2022, the Center did not have an adequate year end close process to ensure balances were properly reconciled and recorded prior to the start of the audit. Upon presenting an original trial balance for the audit, management noted numerous inaccurate account balances in the trial balance and needed additional time to adjust the trial balance. As such, a revised trial balance with material adjustments was provided to complete the audit of the financial statements.
Criteria:	Management is responsible for establishing and maintaining effective internal controls over financial reporting to ensure accurate and timely reporting of financial data.
Cause:	The Center's accounting department lacked personnel with the skills and knowledge to oversee the year-end close process to ensure accurate financial reporting for the start of the audit.
Effect:	Monthly financial reporting was inaccurate and late, which does not allow management or the board of directors to properly perform their oversight duties in making sound financial decisions that are in the best interest of the Center.
Recommendation:	We recommend management implement more robust internal controls and enhanced review procedures by assigning responsibilities with specific tasks and deadlines.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

2022-03 Year End Close Procedures (Continued)

**Management
Response**

We acknowledge the audit finding regarding weaknesses in the year-end close process, particularly the failure to ensure that account balances were properly reconciled and recorded. In response, we are strengthening the close process by implementing a comprehensive year-end checklist, formalizing review procedures, and establishing clear timelines and responsibilities. To address the underlying skills gap, targeted training and professional development are being provided to accounting staff to enhance their technical knowledge and understanding of financial reporting requirements. In addition, new controls are being implemented to ensure key accounts are reviewed and reconciled monthly, allowing potential issues to be identified and resolved in a timely manner. Oversight of the close process has also been enhanced under the direction of the Chief Financial Officer to improve accuracy, completeness, and timeliness. Management is committed to ensuring the reliability and integrity of financial reporting going forward.

2022-04 Data Collection Form Submission

Condition: For the year ended June 30, 2022, the Center did not complete the audit and submit a completed Data Collection Form to the Federal Audit Clearinghouse (FAC) within nine months after year end.

Criteria: OMB's Uniform Guidance requires the electronic submission of the Data Collection Form to the FAC the earlier of (1) nine months after the entity's fiscal year end or (2) 30 days after receiving the auditors' report.

Cause: Due to staffing issues, the Center needed additional time to close out their financial records for the audit to start. As a result, the start of the audit was delayed and did not begin until after the submission deadline of March 31, 2023.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

2022-04 Data Collection Form Submission (Continued)

Effect: The Center is not in compliance with OMB's Uniform Guidance reporting requirement. Failing to comply with guidelines over federal funding could lead to loss of future federal funding.

Recommendation: We recommend the Center implement formal procedures to ensure financial records are closed in a timely manner to allow for the completion and timely submission of the Data Collection Form to the FAC.

Management Response We acknowledge the finding related to the untimely submission of the Data Collection Form and have taken corrective actions to ensure timely compliance moving forward. These actions include implementing year-end financial close procedures, enhancing internal timelines for audit preparation, assigning dedicated staff to oversee audit readiness, and establishing regular progress monitoring to ensure all audit deliverables are completed on schedule.

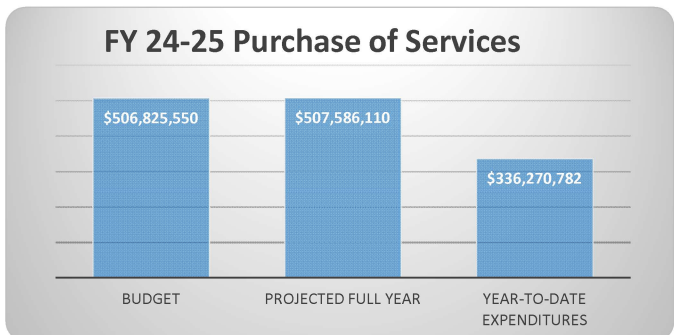
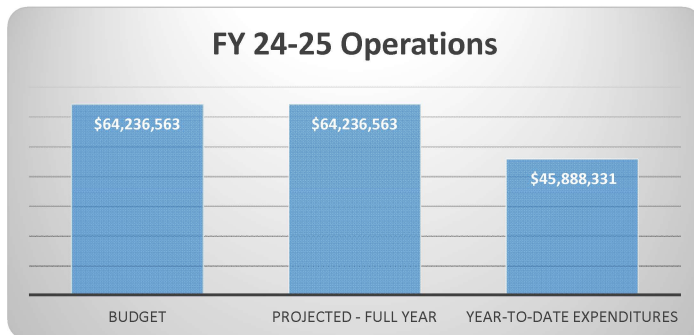
Valley Mountain Regional Center
Contract Status Report
March 31, 2025

FY	Amount Description	Operation	Purchase of Services (POS)	CPP/CRDP POS	LACC Grant	Foster Grandparents & Senior Companions	Total
22-23	Allocation - D-4	\$ 49,237,793	\$ 338,893,808	\$ 3,408,766	\$ -	\$ 560,300	\$ 392,100,667
	YTD Expenses	48,896,309	321,173,764	2,728,519	-	378,245	373,176,838
	Balance	\$ 341,484	\$ 17,720,044	\$ 680,247	\$ -	\$ 182,055	\$ 18,923,829
23-24	Allocation - E-3	\$ 58,710,003	\$ 413,167,983	\$ 848,855	\$ -	\$ 578,369	\$ 473,305,210
	YTD Expenses	57,116,134	400,244,244	11,914	-	484,111	457,856,403
	Balance	\$ 1,593,869	\$ 12,923,739	\$ 836,941	\$ -	\$ 94,258	\$ 15,448,807
24-25	Allocation - A-2	\$ 64,236,563	\$ 504,398,061	\$ 2,427,489	\$ 659,403	\$ 589,019	\$ 572,310,535
	YTD Expenses	\$45,888,331	335,913,882	356,900	\$235,025	\$402,235	382,796,373
	Balance	\$ 18,348,232	\$ 168,484,179	\$ 2,070,589	\$ 424,378	\$ 186,784	\$ 189,514,162
Amount Change FY 22-23 to FY 23-24		\$ 9,472,210	\$ 74,274,175	\$ (2,559,911)	\$ -	\$ 18,069	\$ 81,204,543
Amount Change FY 23-24 to FY 24-25		\$ 5,526,560	\$ 91,230,078	\$ 1,578,634	\$ 659,403	\$ 10,650	\$ 99,005,325
% Change FY 22-23 to FY 23-24		19.24%	21.92%	-75.10%	N/A	3.22%	20.71%
% Change FY 23-24 to FY 24-25		9.41%	22.08%	185.97%	N/A	1.84%	20.92%

The contract status report provides information on the total amount of contract allocations received from DDS, the expenditures, and remaining balances for the current and two prior fiscal years. The report also compares the contract allocations between fiscal years in both dollars and percents.

FY 24-25 Operations & Purchase of Services Expense by Category as of March 31, 2025

OPS Expense Category	YTD Expense	POS Expense Category	YTD Expense
Salary & Benefits	\$ 39,157,222.88	Out of Home	\$ 108,872,537.05
Facility Rent and Maintenance	\$ 2,977,656.84	Day Programs	\$ 41,296,550.66
Information Technology	\$ 1,703,356.99	Respite & Day Care	\$ 48,199,573.48
General Expenses	\$ 414,912.24	Non-Medical Services	\$ 26,445,588.40
Communication	\$ 251,136.32	Supported Living Services	\$ 30,140,006.75
Insurance	\$ 75,042.60	Transportation	\$ 23,475,569.79
Accounting & Legal Fees	\$ 212,072.72	Prevention Services	\$ 13,892,735.54
Consultants	\$ 710,840.90	Other Services	\$ 13,189,474.49
Staff Mileage/Travel	\$ 387,922.95	Personal Assistance	\$ 20,525,636.97
ARCA Dues	\$ 121,130.31	Medical Services	\$ 8,405,021.65
Equipment	\$ 132,094.44	Supported Employment	\$ 1,331,988.96
Board Expenses	\$ 19,685.31	Camps	\$ 139,198.30
ICF Admin Fee, Interest, & Other Income	\$ (274,743.10)	CPP/CRDP	\$ 356,899.81
Total YTD Operations Expense:	\$ 45,888,331.40	Total YTD POS Expense:	\$ 336,270,781.85



This report outlines payments made through March 31, 2025. As of the ninth month of FY 2024/25, \$336.2 million had been spent on Purchase of Service (66.3% of the POS allocation) and \$45.8 million on Operations (71.4% of the Operations allocation).

Due to the timing of claim payments and the issuance of cash advances for the next fiscal year, we requested \$30.7 million in cash flow assistance from DDS to ensure we have sufficient funds to cover essential payments prior to receiving the FY 2025-26 advances. On April 30, DDS confirmed approval of our request. As a result, we do not expect to utilize our line of credit with F&M Bank.