

**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
Pomona, California**

**CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS**

June 30, 2021 and 2020



**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Gabriel/Pomona Valleys Developmental Services, Inc.
and Richard D. Davis Foundation for the
Developmentally Disabled, Inc.
Pomona, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of San Gabriel/Pomona Valleys Developmental Services, Inc., a California nonprofit corporation, and Richard D. Davis Foundation for the Developmentally Disabled, Inc., a California nonprofit corporation (hereafter collectively referred to as the Organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

INDEPENDENT AUDITORS' REPORT

(Continued)

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
January 12, 2022

FINANCIAL SECTION

SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| June 30 | 2021 | 2020 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 27,015,831 | \$ 18,323,593 |
| Cash - client trust funds | 6,464,228 | 5,436,110 |
| Receivable - State Regional Center contracts | 67,288,991 | 77,632,522 |
| Receivable - Intermediate Care Facility providers, net | 1,926,816 | 3,098,384 |
| Other receivables | 38,000 | 110,618 |
| Prepaid expenses | 409,323 | 408,292 |
| Due from state - accrued vacation and other leave benefits | 2,323,355 | 1,985,186 |
| Deposits | 12,459 | 13,101 |
| Inventory | 1,400 | 3,100 |
| TOTAL ASSETS | \$ 105,480,403 | \$ 107,010,906 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 32,843,769 | \$ 27,758,382 |
| Advance - State Regional Center contracts | 62,802,520 | 70,686,464 |
| Accrued salaries and payroll taxes | 746,872 | 761,476 |
| Retirement plan contribution payable | 88,126 | 189,729 |
| Accrued vacation and other leave benefits | 2,323,355 | 1,985,186 |
| Reserve for unemployment insurance | 100,000 | 100,000 |
| Unexpended client trust funds | 6,464,228 | 5,436,110 |
| Contract advances | 800 | 600 |
| Total Liabilities | 105,369,670 | 106,917,947 |
| Net Assets | | |
| Without donor restriction | 100,514 | 72,477 |
| With donor restriction | 10,219 | 20,482 |
| Total Net Assets | 110,733 | 92,959 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 105,480,403 | \$ 107,010,906 |

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

**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES**

| Year Ended June 30, 2021 | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------------|
| SUPPORT AND REVENUE | | | |
| Contracts - State of California | \$ 313,812,728 | \$ - | \$ 313,812,728 |
| Intermediate Care Facility supplemental services income | 5,752,338 | - | 5,752,338 |
| Contributions | 5,936 | 2,041 | 7,977 |
| Special fund-raising event, net of direct expenses (\$5,840) | 26,235 | 9,200 | 35,435 |
| Interest income | 21,689 | - | 21,689 |
| Other income | 567,743 | - | 567,743 |
| Total Support and Revenue | 320,186,669 | 11,241 | 320,197,910 |
| Net assets released from restrictions | 21,504 | (21,504) | - |
| Total Support, Revenue, and Net Assets Released From Restrictions | 320,208,173 | (10,263) | 320,197,910 |
| EXPENSES | | | |
| Program Services: | | | |
| Direct client services | 316,642,034 | - | 316,642,034 |
| Supporting Services: | | | |
| General and administrative | 3,538,102 | - | 3,538,102 |
| Total Expenses | 320,180,136 | - | 320,180,136 |
| Changes in Net Assets | 28,037 | (10,263) | 17,774 |
| Net Assets - Beginning of Year | 72,477 | 20,482 | 92,959 |
| Net Assets - End of Year | \$ 100,514 | \$ 10,219 | \$ 110,733 |

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

SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Continued

| Year Ended June 30, 2020 | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------------|
| SUPPORT AND REVENUE | | | |
| Contracts - State of California | \$ 281,590,046 | \$ - | \$ 281,590,046 |
| Intermediate Care Facility supplemental services income | 5,979,533 | - | 5,979,533 |
| Contributions | 6,430 | 1,082 | 7,512 |
| Special fund-raising event - net of direct expenses (\$22,069) | 41,396 | 19,400 | 60,796 |
| Interest income | 223,953 | - | 223,953 |
| Other income | 48,079 | - | 48,079 |
| Total Support and Revenue | 287,889,437 | 20,482 | 287,909,919 |
| EXPENSES | | | |
| Program Services: | | | |
| Direct client services | 285,030,445 | - | 285,030,445 |
| Supporting Services: | | | |
| General and administrative | 2,863,388 | - | 2,863,388 |
| Total Expenses | 287,893,833 | - | 287,893,833 |
| Changes in Net Assets | (4,396) | 20,482 | 16,086 |
| Net Assets - Beginning of Year | 76,873 | - | 76,873 |
| Net Assets - End of Year | \$ 72,477 | \$ 20,482 | \$ 92,959 |

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

SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

| Year Ended June 30, 2021 | Program Services | Supporting Services | Total Expenses |
|--|---------------------------|-------------------------------|-----------------------|
| | Direct Client Services | General and Administrative | |
| Salaries and Related Expenses | | | |
| Salaries | \$ 21,410,323 | \$ 2,279,375 | \$ 23,689,698 |
| Employee benefits | 4,676,914 | 440,803 | 5,117,717 |
| Payroll taxes | 193,136 | 18,203 | 211,339 |
| Total Salaries and Related Expenses | 26,280,373 | 2,738,381 | 29,018,754 |
| Purchase of services: | | | |
| Residential care facilities | 110,447,382 | - | 110,447,382 |
| Day programs | 98,374,633 | - | 98,374,633 |
| Other purchase of services | 64,006,453 | - | 64,006,453 |
| Transportation | 11,794,277 | - | 11,794,277 |
| Facility rent | 2,412,279 | 227,359 | 2,639,638 |
| Volunteer expenses | 918,728 | - | 918,728 |
| Contract consultants | 610,037 | 57,879 | 667,916 |
| Equipment purchases | 242,277 | 211,020 | 453,297 |
| General expenses | 403,373 | 38,018 | 441,391 |
| General office expenses | 272,833 | 97,881 | 370,714 |
| Communication | 230,201 | 88,884 | 319,085 |
| Insurance | 198,815 | 18,738 | 217,553 |
| Legal fees | 96,218 | 9,069 | 105,287 |
| Postage | 77,416 | 7,296 | 84,712 |
| Dues | 73,528 | 6,930 | 80,458 |
| Accounting fees | 59,300 | 5,589 | 64,889 |
| Equipment rental | 53,653 | 5,057 | 58,710 |
| Equipment maintenance | 51,214 | 4,827 | 56,041 |
| Travel | 6,354 | 18,093 | 24,447 |
| Bank fees and interest expense | 19,197 | 1,809 | 21,006 |
| Printing | 12,671 | 1,194 | 13,865 |
| Board of Directors' expenses | 822 | 78 | 900 |
| Total Operating | 290,361,661 | 799,721 | 291,161,382 |
| Total Expenses | \$ 316,642,034 | \$ 3,538,102 | \$ 320,180,136 |

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

SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
(Continued)

| Year Ended June 30, 2020 | Program Services | Supporting Services | Total Expenses |
|--|---------------------------|-------------------------------|-----------------------|
| | Direct Client Services | General and Administrative | |
| Salaries and Related Expenses | | | |
| Salaries | \$ 20,362,549 | \$ 1,891,264 | \$ 22,253,813 |
| Employee benefits | 4,577,022 | 425,112 | 5,002,134 |
| Payroll taxes | 280,616 | 26,064 | 306,680 |
| Total Salaries and Related Expenses | 25,220,187 | 2,342,440 | 27,562,627 |
| Purchase of services: | | | |
| Residential care facilities | 92,106,231 | - | 92,106,231 |
| Day programs | 86,407,833 | - | 86,407,833 |
| Other purchase of services | 60,243,264 | - | 60,243,264 |
| Transportation | 14,600,221 | - | 14,600,221 |
| Facility rent | 2,415,306 | 224,332 | 2,639,638 |
| Equipment purchases | 894,025 | 83,037 | 977,062 |
| Volunteer expenses | 931,290 | - | 931,290 |
| Contract consultants | 560,438 | 52,096 | 612,534 |
| General expenses | 318,325 | 29,566 | 347,891 |
| Communication | 261,282 | 24,268 | 285,550 |
| Travel | 183,854 | 25,155 | 209,009 |
| Legal fees | 183,473 | 17,041 | 200,514 |
| Insurance | 165,219 | 15,345 | 180,564 |
| General office expenses | 151,627 | 14,083 | 165,710 |
| Postage | 109,052 | 10,129 | 119,181 |
| Dues | 73,620 | 6,838 | 80,458 |
| Accounting fees | 68,524 | 6,364 | 74,888 |
| Equipment rental | 49,036 | 4,554 | 53,590 |
| Equipment maintenance | 38,995 | 3,622 | 42,617 |
| Printing | 33,743 | 3,134 | 36,877 |
| Board of Directors' expenses | 14,028 | 1,303 | 15,331 |
| Bank fees and interest expense | 872 | 81 | 953 |
| Total Operating | 259,810,258 | 520,948 | 260,331,206 |
| Total Expenses | \$ 285,030,445 | \$ 2,863,388 | \$ 287,893,833 |

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

**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

| Years Ended June 30 | 2021 | 2020 |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 17,774 | \$ 16,086 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| (Increase) decrease in: | | |
| Receivable - State Regional Center Contracts | 10,343,531 | (3,528,145) |
| Receivable - Intermediate Care Facility providers - net | 1,171,568 | 613,188 |
| Other receivables | 72,618 | (83,851) |
| Prepaid expenses | (1,031) | 157,151 |
| Deposits | 642 | (17) |
| Inventory | 1,700 | (3,100) |
| Increase (decrease) in: | | |
| Accounts payable | 5,083,889 | 2,961,574 |
| Advance - State Regional Center contracts | (7,883,944) | 5,920,523 |
| Accrued salaries and payroll taxes | (13,106) | 234,554 |
| Retirement plan contribution payable | (101,603) | 37,178 |
| Unexpended client trust funds | 1,028,118 | 2,965,267 |
| Contract advances | 200 | 600 |
| Net Cash Provided (Used) By Operating Activities | 9,720,356 | 9,291,008 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 9,720,356 | 9,291,008 |
| Cash and Cash Equivalents - Beginning of Year | 23,759,703 | 14,468,695 |
| Cash and Cash Equivalents - End of Year | \$ 33,480,059 | \$ 23,759,703 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION | | |
| Components of Cash and Cash Equivalents | | |
| Cash and cash equivalents | \$ 27,015,831 | \$ 18,323,593 |
| Cash - client trust funds | 6,464,228 | 5,436,110 |
| Total | \$ 33,480,059 | \$ 23,759,703 |
| Cash Paid for Interest | \$ 15,285 | \$ - |
| Schedule of Noncash Operating Activities | | |
| (Increase) decrease in due from state - accrued vacation leave benefits | \$ (338,169) | \$ (419,950) |
| Increase (decrease) in accrued vacation leave benefits | 338,169 | 419,950 |
| Total | \$ - | \$ - |

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

**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities San Gabriel/Pomona Valleys Developmental Services, Inc. (the Organization) was incorporated on April 14, 1986 as a California nonprofit corporation. The Organization was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Act) of the Welfare and Institutions Code of the State of California. In accordance with the Act, the Organization, under the name of San Gabriel/Pomona Regional Center, provides services for persons with developmental disabilities and their families. Services include, but are not limited to, assessment, advocacy, service coordination, education, training, communication, resource development, and prevention services. The geographical area served includes the Los Angeles County health districts of Foothill, El Monte, and Pomona.

The Act includes governance provisions regarding the composition of the Organization'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 regional center purchases client services, shall serve as a member of the Organization's board. To comply with the Act, the Organization's board of directors includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Organization and a client service provider of the Organization. Program service payments were made in the normal course of business on behalf of persons with developmental disabilities that were governing board members or were related to governing board members.

Basis of Accounting and Consolidation The consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, revenues are recognized when earned and expenses are recognized when the obligation is incurred. Reimbursements from the State are considered earned when the qualifying expense is incurred.

The consolidated financial statements include the financial statements of San Gabriel/Pomona Valleys Developmental Services, Inc. and Richard D. Davis Foundation for the Developmentally Disabled, Inc. (Foundation), hereafter collectively referred to as the Organization. Any intercompany transactions and accounts are eliminated in the accompanying consolidated financial statements.

The Foundation is a separately incorporated nonprofit organization in which San Gabriel/Pomona Valleys Developmental Services, Inc. is the sole member. The Foundation was formed for the primary purpose of providing financial support to developmentally disabled individuals for whom funds are not available through the regional center system or categorically not within the funding policies of the Organization. In regards to its financial grants program, the recipients and their families are primarily clients of the Organization. The Foundation's activities are primarily funded by donations and fund-raising events.

SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets 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 Organization 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.

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

Significant Concentrations of Credit Risk Due to the unique requirements of DDS and the large fluctuations in account balances the Organization can have during the year, it is not feasible for the Organization to diversify its cash balances among various financial institutions. Therefore, the Organization maintains substantially all of its cash and temporary cash investments at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021, cash exceeded federally insured limits by \$34,094,201. At June 30, 2020, cash exceeded federally insured limits by \$24,218,999. While the amount in the banks typically exceeded FDIC coverage during the year, historically the Organization has not experienced any losses on such accounts. For these reasons, management believes it is not exposed to any significant credit risk on such accounts.

SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

State Regional Center Contract Receivables and Advances Contracts receivable represent amounts due from DDS for reimbursement of expenditures made by the Organization under the annual regional center contracts. The Organization considers all amounts receivable under grant contracts to be collectible; accordingly, no allowance for doubtful accounts exists.

The contract advance balance of \$62,802,520 and \$70,686,464 at June 30, 2021 and 2020, respectively, represents cash advances received by the Organization under the annual regional center contracts. Amounts receivable from DDS are offset against advances when DDS notifies the Organization that a right of offset exists.

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 Organization 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 the ICF service. Accordingly, all the funding for the ICF residents must go through the applicable ICF provider.

The DDS has directed the Organization to prepare billings for these services on behalf of the ICFs and submit a separate state claim report for these services. The Organization 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 Organization's administrative fee, to the Organization within 30 days of receipt of funds from the State Controller's office. The Organization receives a 1.5% administrative fee based on the funds received to cover the additional workload.

The net receivable from Intermediate Care Facilities in the amount of \$1,926,816 and \$3,098,384 at June 30, 2021 and 2020, respectively, represent the amount DDS paid or will pay to the ICF's net of ICF's administrative fee and Quality Assurance fee. Revenue from Intermediate Care Facilities was \$5,752,338 and \$5,979,533 as of June 30, 2021 and 2020, respectively.

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

Property and Equipment In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Organization is required to maintain memorandum records of equipment purchases and dispositions. Equipment purchases are recorded as supporting or program service expenses when they are incurred. The cost basis of the property utilized by the Organization and owned by the state at June 30, 2021 and 2020, was \$1,656,529 and \$1,574,033, respectively. These balances include only the equipment that is sensitive or exceeds \$5,000 as required by State Administrative Manual (SAM) guidelines.

SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Accrued Vacation and Other Leave Benefits The Organization has accrued a liability for vacation and other leave benefits earned. However, such benefits are reimbursed under the state contract only when actually paid. The Organization has also recorded a receivable from the State for the accrued leave benefits to reflect the future reimbursement of such benefits.

Revenue Concentration State Regional Center contract revenue is revenue received from the State of California in accordance with the Lanterman Act. Approximately ninety-nine percent of revenue is derived from this source. Each fiscal year, the Organization 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 Organization or by applying the claims reimbursements against advances already made to the Organization.

Revenue and Revenue Recognition The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A significant portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as Advance - State Regional Center contracts on the Statement of Financial Position.

In June 2020, the U.S. Department of Health and Human Services (HHS) announced the availability of CARES (Coronavirus Aid, Relief and Economic Security) Act Provider Relief Fund payments to providers of health care services and support, including agencies serving people with developmental disabilities. Allowable expenses under the Provider Relief Fund must be used to prevent, prepare for, and respond to coronavirus (COVID-19), and for related expenses or lost revenues attributable to COVID-19. Funding cannot be used where another source has reimbursed or is obligated to reimburse those expenses or losses. Payments for allowable expenses can be pre-payments, prospective or retrospective. These distributions do not need to be repaid assuming providers comply with the terms and conditions.

The Organization applied, and by December 18, 2020, the Organization had received payments of \$538,241 under the CARES Act Provider Relief Fund. As the Organization received the grant in Phase 2 of the general distribution, the deadline to use the funds is December 31, 2021. Grant reporting is scheduled to take place in the January 1, 2022 to March 31, 2022 reporting window.

The Organization believes that it is in compliance with the conditions of the grant and has spent the full amount received on allowable expenses as of June 30, 2021. Grant revenue of \$538,241 is reflected in the statement of activities under other income.

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Allocation of Expenses The Consolidated Statements of Functional Expenses allocate expenses for all funds to the program and supporting service categories based on a direct cost basis for purchase of services, salaries, and related expenses. Operating expenses are allocated based on a percentage of salaries and related expenses per category to total salaries and related expenses, except for certain expenses that are designated as program or supporting services.

Income Taxes The Organization 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* (IRC) and Section 23701(d) of the *California Revenue and Taxation Code*.

The Organization recognizes the financial statement benefit of tax positions, such as the 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 Organization 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.

Use of Estimates and Assumptions Management uses estimates and assumptions in preparing the consolidated 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 consolidated financial statements.

Subsequent Events The Organization's management has evaluated subsequent events through January 12, 2022, the date on which the financial statements were available to be issued.

The impact of COVID-19 on the financial condition and staffing retention of the Organization is uncertain, and the Executive Management team conducts meetings every workday that are designed to monitor and evaluate the changing health policy. The team continually implements operation adjustments or Department of Developmental Services Directives to protect critical operation functions. The Organization conducts remote weekly Zoom meetings on Monday and Tuesday to keep individuals served and inform their families, service providers, and stakeholders regarding the operations of the Organization, DDS Directives, Local Health Policy, and the COVID-19 transmission data impacting the individuals served, the service provider staff, and the Organization employees. Currently, the Organization has a vaccine mandate that is applied to all employees, and it requires COVID-19 testing for all employees weekly regardless of vaccination status.

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

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The main provisions of the ASU were:

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

The Organization has implemented ASU 2014-09 on the retrospective basis and has adjusted the presentation of these financial statements accordingly. The ASU had no material effect on previously reported net assets.

Recently Issued Accounting Pronouncements In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. In May 2020, the FASB issued ASU 2020-05, which delayed the effective date of the standard to annual reporting periods beginning after December 15, 2021. Management is currently evaluating the impact of this standard on its financial statements.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| Years Ended June 30 | 2021 | 2020 |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 33,480,059 | \$ 23,759,703 |
| Less: Cash Held for Others | (6,464,228) | (5,436,110) |
| Receivable - State Regional Center contracts | 67,288,991 | 77,632,522 |
| Less: Advance - State Regional Center contracts | (62,802,520) | (70,686,464) |
| Receivable - Intermediate Care Facility providers | 1,926,816 | 3,098,384 |
| Other receivables | 38,000 | 110,618 |
| Total Financial Assets Available Within One Year | \$ 33,467,118 | \$ 28,478,653 |

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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 shall allocate 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 Organization'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 contract with DDS allows for adjustments to the Organization's allocations and for the payment of claims up to two years after the close of each fiscal year.

In addition, the Organization maintains a revolving line of credit (Note 4) to manage cash flow requirements as needed should there be delays in reimbursement for expenditures from DDS.

3. FUNDING LIMITS

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

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

| Fiscal Years Ended | Contract Amount | Cumulative Expenses | Unexpended Balance |
|--------------------|--------------------|------------------------|-----------------------|
| June 30, 2021 | \$ 321,180,049 | \$ 307,993,964 | \$ 13,186,085 |
| June 29, 2020 | \$ 285,815,495 | \$ 281,450,706 | \$ 4,364,789 |
| June 30, 2019 | \$ 259,593,037 | \$ 251,174,640 | \$ 8,418,397 |

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

The Organization has renewed its contract for the fiscal year ending June 30, 2022. The preliminary contract provides for initial funding of \$354,230,218.

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(Continued)

4. LINE OF CREDIT

The Organization had a revolving line of credit with a bank whereby it could borrow up to \$44,000,000 until June 30, 2021. Interest was payable at 1% below the bank's prime rate, with an effective rate of 2.25% as of June 30, 2021. In May 2021, the Organization revised their agreement to a revolving \$30,000,000 line of credit with the bank, secured by the Organization's assets, to fund current operating needs through June 30, 2022. The outstanding balance on the line of credit was \$0 at June 30, 2021 and 2020.

5. EMPLOYEE BENEFIT PLANS

Effective July 1, 2004, the Organization adopted an Internal Revenue Code (IRC) §401(a) retirement benefit savings plan (the 401(a) Plan). All employees are required to enter the 401(a) Plan immediately upon employment. Contributions to the 401(a) Plan are based on a percentage of each participant's compensation. Employee contributions are not permitted in the 401(a) Plan.

The Organization contributes to an IRC §403(b) retirement plan (the 403(b) Plan) for all eligible employees. All employees are eligible to enter the 403(b) Plan immediately upon employment. Participants can contribute up to the federal maximum limit. The Organization is not required to match a participant's contribution. The Organization may make discretionary contributions to the 403(b) Plan allocated in direct proportion to the participant's pay, up to a set percentage of the participant's salary. Loans are permitted, subject to the terms of the 403(b) Plan document and applicant contract.

A deferred compensation plan qualified under IRC §457(b) was approved and implemented as of February 1, 2002. All employees may contribute up to the maximum defined by law. This plan has no provisions for employer contributions.

The total employer retirement expense for the years ended June 30, 2021 and 2020 was \$2,585,506 and \$2,566,303, respectively.

6. COMMITMENTS

Operating Leases

The Organization is obligated under an operating lease agreement for its office facilities, expiring February 2024, with two options to renew for five years each.

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(Continued)

Future minimum facilities lease commitments are as follows:

| Years Ending June 30 | |
|----------------------|---------------------|
| 2022 | \$ 2,628,000 |
| 2023 | 2,628,000 |
| 2024 | 1,752,000 |
| Total | \$ 7,008,000 |

Total facilities and office equipment rental expense for the years ended June 30, 2021 and 2020 totaled \$2,698,348 and \$2,693,228, respectively.

Contract Commitments

The Organization pays for services in arrears, and at any given time the amount due to providers for services rendered is estimated. Unpaid commitments at June 30, 2021 and 2020, were approximately \$1.0 million and \$2.1 million, respectively.

7. UNEMPLOYMENT INSURANCE

The Organization has elected to finance its unemployment insurance using the prorated cost-of-benefits method. Under this method, the Organization is required to reimburse the state of California for benefits paid to its former employees. At June 30, 2021 and 2020, the Organization had \$100,000 in a reserve savings account to pay for any potential unemployment claims.

8. CLIENT TRUST FUNDS

The Organization functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of regional center clients. These cash balances are segregated from the operating cash accounts of the Organization and are restricted for client support. Since the Organization is acting as an agent in processing these transactions, no revenue or expense is reflected on the accompanying consolidated statements of activities.

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(Continued)

The Organization's activities consisted of the following:

| Years Ended June 30 | 2021 | | 2020 | |
|--|------|------------|------|------------|
| Client Trust Fund Liability - Beginning of Year | \$ | 5,436,110 | \$ | 3,870,495 |
| Client support received | | 21,253,039 | | 22,205,404 |
| Subtotal | | 26,689,149 | | 26,075,899 |
| Less: Residential Care | | 14,078,507 | | 16,106,610 |
| Less: Other disbursement | | 6,130,454 | | 4,523,855 |
| Less: change in accounts receivable and accounts payable | | 15,960 | | 9,324 |
| Client Trust Fund Liability - End of Year | \$ | 6,464,228 | \$ | 5,436,110 |

9. NET ASSETS

| June 30 | 2021 | | 2020 | |
|--|------|---------|------|--------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Undesignated | \$ | 100,514 | \$ | 72,477 |
| Total Net Assets Without Donor Restriction | \$ | 100,514 | \$ | 72,477 |
| NET ASSETS WITH DONOR RESTRICTION | | | | |
| Subject to Expenditures Restricted for a Specified Purpose | | | | |
| Holiday Reach Out Drive | \$ | 1,019 | \$ | 1,082 |
| Golf Tournament | | 4,200 | | 9,400 |
| Subtotal | | 5,219 | | 10,482 |
| Subject to Restriction Based on Passage of Time | | | | |
| Promises to give that are not restricted in purpose by donors, but which are unavailable for expenditure until received | | 5,000 | | 10,000 |
| Total Net Assets With Donor Restriction | \$ | 10,219 | \$ | 20,482 |

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(Continued)

10. OTHER PURCHASED SERVICES

Other purchased services consisted of the following:

| Years Ended June 30 | 2021 | 2020 |
|---------------------------------------|----------------------|----------------------|
| Nonmedical services | \$ 24,604,106 | \$ 21,929,773 |
| Home care programs | 2,350,211 | 2,417,862 |
| Prevention services | 12,402,428 | 12,451,011 |
| Other authorized services | 19,486,932 | 18,851,008 |
| Personal and incidental | 150,802 | 153,695 |
| Medical equipment | 32,600 | 16,116 |
| Medical care | 3,470,006 | 3,684,175 |
| Camps | 480 | 31,808 |
| Other programs | 1,508,888 | 707,816 |
| Total Other Purchased Services | \$ 64,006,453 | \$ 60,243,264 |

11. CONTINGENCIES

In accordance with the terms of the DDS contract, an audit may be performed by an authorized DDS representative. Should such audit disclose any unallowable costs, the Organization may be liable to DDS for reimbursement of such costs. In the opinion of the Organization's management, the effect of any disallowed costs would not be material to the consolidated financial statements at June 30, 2021 and 2020, and for the years then ended.

The Organization is dependent on continued funding provided by DDS to operate and provide services for its clients. The Organization's contract with DDS provides funding for services under the Lanterman Act. In the event the DDS determines that the Organization has insufficient funds to meet its contractual obligations, the DDS shall make best efforts to secure additional funds and/or provide the Organization with regulatory and statutory relief.

12. LEGAL PROCEEDINGS

The Organization is subject to various legal proceedings and claims arising in the ordinary course of its business. While the ultimate outcome of these matters is difficult to predict, management believes that the ultimate resolution of these matters will not have a material adverse effect on the Organization's financial position or activities.

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13. RECLASSIFICATION

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The overall reclassification had no impact on previously reported net assets.

14. PRIOR PERIOD ADJUSTMENT

| | | |
|---|-----------|---------------|
| Net Assets Without Donor Restriction at June 30, 2020 - as Originally Reported | \$ | 69,377 |
| Prior period adjustment | | 3,100 |
| Net Assets Without Donor Restriction at June 30, 2020 - as Restated | \$ | 72,477 |

During the year, the Organization identified gift card revenue that was not recorded as of June 30, 2020. As such, beginning net assets was adjusted as shown above.

SUPPLEMENTARY INFORMATION SECTION

**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
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CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**

| June 30, 2021 | Center | Foundation | Consolidated Balance |
|---|-----------------------|-------------------|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 26,910,698 | \$ 105,133 | \$ 27,015,831 |
| Cash - client trust funds | 6,464,228 | - | 6,464,228 |
| Receivable - State Regional Center contracts | 67,288,991 | - | 67,288,991 |
| Receivable - Intermediate Care Facility providers - net | 1,926,816 | - | 1,926,816 |
| Other receivables | 33,000 | 5,000 | 38,000 |
| Prepaid expenses | 409,323 | - | 409,323 |
| Due from state - accrued vacation and other leave benefits | 2,323,355 | - | 2,323,355 |
| Deposits | 12,459 | - | 12,459 |
| Inventory | - | 1,400 | 1,400 |
| TOTAL ASSETS | \$ 105,368,870 | \$ 111,533 | \$ 105,480,403 |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Accounts payable | \$ 32,843,769 | \$ - | \$ 32,843,769 |
| Advance - State Regional Center contracts | 62,802,520 | - | 62,802,520 |
| Accrued salaries and payroll taxes | 746,872 | - | 746,872 |
| Retirement plan contribution payable | 88,126 | - | 88,126 |
| Accrued vacation and other leave benefits | 2,323,355 | - | 2,323,355 |
| Reserve for unemployment insurance | 100,000 | - | 100,000 |
| Unexpended client trust funds | 6,464,228 | - | 6,464,228 |
| Contract advances | - | 800 | 800 |
| Total Liabilities | 105,368,870 | 800 | 105,369,670 |
| Net Assets | | | |
| Without donor restriction | - | 100,514 | 100,514 |
| With donor restriction | - | 10,219 | 10,219 |
| Total Net Assets | - | 110,733 | 110,733 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 105,368,870 | \$ 111,533 | \$ 105,480,403 |

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

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CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
(Continued)

| June 30, 2020 | Center | Foundation | Consolidated Balance |
|---|-----------------------|------------------|-------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 18,243,245 | \$ 80,348 | \$ 18,323,593 |
| Cash - client trust funds | 5,436,110 | - | 5,436,110 |
| Receivable - State Regional Center contracts | 77,632,522 | - | 77,632,522 |
| Receivable - Intermediate Care Facility providers - net | 3,098,384 | - | 3,098,384 |
| Other receivables | 100,618 | 10,000 | 110,618 |
| Prepaid expenses | 408,181 | 111 | 408,292 |
| Due from state - accrued vacation and other leave benefits | 1,985,186 | - | 1,985,186 |
| Deposits | 13,101 | - | 13,101 |
| Inventory | - | 3,100 | 3,100 |
| TOTAL ASSETS | \$ 106,917,347 | \$ 93,559 | \$ 107,010,906 |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Accounts payable | \$ 27,758,382 | \$ - | \$ 27,758,382 |
| Advance - State Regional Center contracts | 70,686,464 | - | 70,686,464 |
| Accrued salaries and payroll taxes | 761,476 | - | 761,476 |
| Retirement plan contribution payable | 189,729 | - | 189,729 |
| Accrued vacation and other leave benefits | 1,985,186 | - | 1,985,186 |
| Reserve for unemployment insurance | 100,000 | - | 100,000 |
| Unexpended client trust funds | 5,436,110 | - | 5,436,110 |
| Contract advances | - | 600 | 600 |
| Total Liabilities | 106,917,347 | 600 | 106,917,947 |
| Net Assets | | | |
| Without donor restriction | - | 72,477 | 72,477 |
| With donor restriction | - | 20,482 | 20,482 |
| Total Net Assets | - | 92,959 | 92,959 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 106,917,347 | \$ 93,559 | \$ 107,010,906 |

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

**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
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FOR THE DEVELOPMENTALLY DISABLED, INC.
CONSOLIDATING STATEMENTS OF ACTIVITIES**

| Year Ended June 30, 2021 | Center | Foundation | Consolidated Balance |
|---|--------------------|-------------------|-------------------------|
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | | | |
| Support and Revenue | | | |
| Contracts - State of California | \$ 313,812,728 | \$ - | \$ 313,812,728 |
| Intermediate Care Facility supplemental services income | 5,752,338 | - | 5,752,338 |
| Contributions | - | 5,936 | 5,936 |
| Special fund-raising event - net of direct expenses | - | 26,235 | 26,235 |
| Interest income | 21,650 | 39 | 21,689 |
| Other income | 567,743 | - | 567,743 |
| Total Support and Revenue | 320,154,459 | 32,210 | 320,186,669 |
| Net Assets Released from Donor Restriction | - | 21,504 | 21,504 |
| Total Support, Revenue, and Net Assets Released from Restriction | 320,154,459 | 53,714 | 320,208,173 |
| EXPENSES | | | |
| Program Services: | | | |
| Direct client services | 316,620,546 | 21,488 | 316,642,034 |
| Supporting Services: | | | |
| General and administrative | 3,533,913 | 4,189 | 3,538,102 |
| Total Expenses | 320,154,459 | 25,677 | 320,180,136 |
| Changes in Net Assets Without Donor Restrictions | - | 28,037 | 28,037 |
| Net Assets Without Donor Restrictions - Beginning of Year | - | 72,477 | 72,477 |
| Net Assets Without Donor Restrictions - End of Year | \$ - | \$ 100,514 | \$ 100,514 |

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

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CONSOLIDATING STATEMENTS OF ACTIVITIES
(Continued)

| Year Ended June 30, 2021 | Center | Foundation | Consolidated Balance |
|---|--------|------------|-------------------------|
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | | | |
| Support and Revenue | | | |
| Contracts - State of California | \$ - | \$ - | \$ - |
| Intermediate Care Facility supplemental services income | - | - | - |
| Contributions | - | 2,041 | 2,041 |
| Special fund-raising event - net of direct expenses | - | 9,200 | 9,200 |
| Interest income | - | - | - |
| Other income | - | - | - |
| Total Support and Revenue | - | 11,241 | 11,241 |
| Net Assets Released from Donor Restriction | - | (21,504) | (21,504) |
| Total Support, Revenue, and Net Assets Released from Restriction | - | (10,263) | (10,263) |
| EXPENSES | | | |
| Program Services: | | | |
| Direct client services | - | - | - |
| Supporting Services: | | | |
| General and administrative | - | - | - |
| Total Expenses | - | - | - |
| Changes in Net Assets With Donor Restrictions | - | (10,263) | (10,263) |
| Net Assets With Donor Restrictions - Beginning of Year | - | 20,482 | 20,482 |
| Net Assets With Donor Restrictions - End of Year | \$ - | \$ 10,219 | \$ 10,219 |

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

**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
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FOR THE DEVELOPMENTALLY DISABLED, INC.**
CONSOLIDATING STATEMENT OF ACTIVITIES
(Continued)

| Year Ended June 30, 2020 | Center | Foundation | Consolidated Balance |
|--|--------------------|------------------|-------------------------|
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | | | |
| Support and Revenue | | | |
| Contracts - State of California | \$ 281,590,046 | \$ - | \$ 281,590,046 |
| Intermediate Care Facility supplemental services income | 5,979,533 | - | 5,979,533 |
| Contributions | - | 6,430 | 6,430 |
| Special fund-raising event - net of direct expenses | - | 41,396 | 41,396 |
| Interest income | 223,912 | 41 | 223,953 |
| Other income | 48,079 | - | 48,079 |
| Total Support and Revenue | 287,841,570 | 47,867 | 287,889,437 |
| EXPENSES | | | |
| Program Services: | | | |
| Direct client services | 284,982,817 | 47,628 | 285,030,445 |
| Supporting Services: | | | |
| General and administrative | 2,858,753 | 4,635 | 2,863,388 |
| Total Expenses | 287,841,570 | 52,263 | 287,893,833 |
| Changes in Net Assets Without Donor Restrictions | - | (4,396) | (4,396) |
| Net Assets Without Donor Restrictions - Beginning of Year | - | 76,873 | 76,873 |
| Net Assets Without Donor Restrictions - End of Year | \$ - | \$ 72,477 | \$ 72,477 |

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

**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
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CONSOLIDATING STATEMENT OF ACTIVITIES
(Continued)

| Year Ended June 30, 2020 | Center | Foundation | Consolidated Balance |
|---|--------|------------|-------------------------|
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | | | |
| Support and Revenue | | | |
| Contracts - State of California | \$ - | \$ - | \$ - |
| Intermediate Care Facility supplemental services income | - | - | - |
| Contributions | - | 1,082 | 1,082 |
| Special fund-raising event - net of direct expenses | - | 19,400 | 19,400 |
| Interest income | - | - | - |
| Other income | - | - | - |
| Total Support and Revenue | - | 20,482 | 20,482 |
| EXPENSES | | | |
| Program Services: | | | |
| Direct client services | - | - | - |
| Supporting Services: | | | |
| General and administrative | - | - | - |
| Total Expenses | - | - | - |
| Changes in Net Assets With Donor Restrictions | - | 20,482 | 20,482 |
| Net Assets With Donor Restrictions - Beginning of Year | - | - | - |
| Net Assets With Donor Restrictions - End of Year | \$ - | \$ 20,482 | \$ 20,482 |

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

REQUIRED SUPPLEMENTARY INFORMATION SECTION



**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

| Federal Grantor/Pass-Through Grantor/Program Title | Contract Year | Pass-Through Grant Number | Federal CFDA Number | Disbursements/Expenditures |
|---|----------------------|----------------------------------|----------------------------|-----------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | | |
| Passed Through State of California Department of Developmental Services - Special Education - Grants for Infants and Families with Disabilities (Part C) | 20/21 | H181A190037 | 84.181A | \$ 2,335,302 |
| Total U.S. Department of Education | | | | 2,335,302 |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICES | | | | |
| Passed Through State of California Department of Developmental Services - Foster Grandparent Program | 20/21 | 19SFPCA002 | 94.011 | 336,467 |
| Total Corporation for National and Community Services | | | | 336,467 |
| Total Expenditures of Federal Awards | | | | \$ 2,671,769 |

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Organization 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting and are 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.

Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER REPORTS SECTION



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

To the Board of Directors
San Gabriel/Pomona Valleys Developmental Services, Inc.
Pomona, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of San Gabriel/Pomona Valleys Developmental Services, Inc., a California nonprofit corporation (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 12, 2022. The financial statements of the Richard D. Davis Foundation for the Developmentally Disabled, Inc. were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Richard D. Davis Foundation for the Developmentally Disabled, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

(Continued)

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
January 12, 2022



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

To the Board of Directors
San Gabriel/Pomona Valleys Developmental Services, Inc.
Pomona, California

Report on Compliance for Each Major Federal Program

We have audited San Gabriel/Pomona Valleys Developmental Services, Inc.'s, a California nonprofit corporation (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

(Continued)

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on 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 the Organization's internal control over compliance.

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

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

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

(Continued)

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

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
January 12, 2022

FINDINGS AND RECOMMENDATIONS SECTION

SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.
AND RICHARD D. DAVIS FOUNDATION
FOR THE DEVELOPMENTALLY DISABLED, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021

None