

**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 AUDITOR'S REPORTS**

**June 30, 2023 and 2022**



**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**  
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## **INDEPENDENT AUDITOR'S 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 Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of San Gabriel/Pomona Valleys Developmental Services, Inc., and Richard D. Davis Foundation for the Developmentally Disabled, Inc., (hereafter collectively referred to as the Organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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, and for 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.

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Organization's internal controls. 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 24, 2024, 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 24, 2024

## **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	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 26,585,985	\$ 25,330,630
Cash - held for others	6,001,848	4,843,915
Receivable - State Regional Center contracts	116,200,787	97,586,584
Receivable - Intermediate Care Facility providers, net	2,025,845	1,508,484
Other receivables	183,834	87,333
Prepaid expenses	702,506	613,049
Due from state - accrued vacation and other leave benefits	2,522,702	2,238,282
Due from state - leases	200,092	-
Deposits	12,459	12,459
Operating lease right-of-use assets	15,850,948	-
Inventory	180	180
<b>TOTAL ASSETS</b>	<b>\$ 170,287,186</b>	<b>\$ 132,220,916</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 38,895,617	\$ 35,370,506
Advance - State Regional Center contracts	105,215,999	88,593,889
Accrued salaries and payroll taxes	1,199,426	833,202
Retirement plan contribution payable	136,051	95,814
Accrued vacation and other leave benefits	2,522,702	2,238,282
Reserve for unemployment insurance	100,000	100,000
Unexpended client trust funds	6,001,848	4,843,915
Operating lease liability - current portion	2,127,678	-
Operating lease liability - long term portion	13,923,362	-
<b>Total Liabilities</b>	<b>170,122,683</b>	<b>132,075,608</b>
<b>Net Assets</b>		
Without donor restriction	163,743	144,475
With donor restriction	760	833
<b>Total Net Assets</b>	<b>164,503</b>	<b>145,308</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 170,287,186</b>	<b>\$ 132,220,916</b>

*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, 2023	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
State Regional Center Contracts	\$ 375,660,003	\$ -	\$ 375,660,003
Intermediate Care Facility supplemental services income	4,626,686	-	4,626,686
Contributions	200	1,656	1,856
Special fund-raising event - net of direct expenses (\$33,459)	50,101	-	50,101
Interest income	134,841	-	134,841
Other income	227,042	-	227,042
<b>Total Support and Revenue</b>	<b>380,698,873</b>	<b>1,656</b>	<b>380,700,529</b>
Net assets released from restrictions	1,729	(1,729)	-
<b>Total Support, Revenue, and Net Assets Released From Restrictions</b>	<b>380,700,602</b>	<b>(73)</b>	<b>380,700,529</b>
<b>EXPENSES</b>			
<b>Program Services:</b>			
Direct client services	375,693,639	-	375,693,639
<b>Supporting Services:</b>			
General and administrative	4,987,695	-	4,987,695
<b>Total Expenses</b>	<b>380,681,334</b>	<b>-</b>	<b>380,681,334</b>
<b>Changes in Net Assets</b>	<b>19,268</b>	<b>(73)</b>	<b>19,195</b>
<b>Net Assets - Beginning of Year</b>	<b>144,475</b>	<b>833</b>	<b>145,308</b>
<b>Net Assets - End of Year</b>	<b>\$ 163,743</b>	<b>\$ 760</b>	<b>\$ 164,503</b>

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**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, 2022	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
State Regional Center Contracts	\$ 325,278,349	\$ -	\$ 325,278,349
Intermediate Care Facility supplemental services income	4,520,369	-	4,520,369
Contributions	12,650	1,669	14,319
Special fund-raising event - net of direct expenses (\$22,069)	37,315	-	37,315
Interest income	5,281	-	5,281
Other income	28,601	-	28,601
<b>Total Support and Revenue</b>	<b>329,882,565</b>	<b>1,669</b>	<b>329,884,234</b>
Net assets released from restrictions	11,055	(11,055)	-
<b>Total Support, Revenue, and Net Assets Released From Restrictions</b>	<b>329,893,620</b>	<b>(9,386)</b>	<b>329,884,234</b>
<b>EXPENSES</b>			
<b>Program Services:</b>			
Direct client services	325,857,463	-	325,857,463
<b>Supporting Services:</b>			
General and administrative	3,992,196	-	3,992,196
<b>Total Expenses</b>	<b>329,849,659</b>	<b>-</b>	<b>329,849,659</b>
<b>Changes in Net Assets</b>	<b>43,961</b>	<b>(9,386)</b>	<b>34,575</b>
<b>Net Assets - Beginning of Year</b>	<b>100,514</b>	<b>10,219</b>	<b>110,733</b>
<b>Net Assets - End of Year</b>	<b>\$ 144,475</b>	<b>\$ 833</b>	<b>\$ 145,308</b>

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**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, 2023	Program Services	Supporting Services	Total Expenses
	Direct Client Services	General and Administrative	
<b>Salaries and Related Expenses</b>			
Salaries	\$ 26,176,921	\$ 3,353,564	\$ 29,530,485
Employee benefits	5,074,865	650,148	5,725,013
Payroll taxes	380,600	48,759	429,359
<b>Total Salaries and Related Expenses</b>	<b>31,632,386</b>	<b>4,052,471</b>	<b>35,684,857</b>
<b>Operating Expenses</b>			
Purchase of services:			
Residential care facilities	136,737,232	-	136,737,232
Day programs	115,709,226	-	115,709,226
Other purchased services	69,365,698	-	69,365,698
Transportation	14,283,208	-	14,283,208
Lease expense - operating	2,523,017	323,228	2,846,245
Contract consultants	1,796,099	203,912	2,000,011
Volunteer expenses	671,207	-	671,207
Equipment purchases	585,577	75,019	660,596
General expenses	503,867	64,551	568,418
General office expenses	392,862	50,330	443,192
Insurance	337,117	43,189	380,306
Legal fees	323,129	41,397	364,526
Communication	297,752	38,146	335,898
Travel	133,757	44,015	177,772
Equipment and facility maintenance	131,294	16,820	148,114
Postage	71,562	9,168	80,730
Dues	71,321	9,137	80,458
Accounting fees	64,512	8,265	72,777
Equipment rental	43,880	5,621	49,501
Printing	12,763	1,635	14,398
Bank fees and interest expense	5,040	646	5,686
Board of Directors' expenses	1,133	145	1,278
<b>Total Operating Expenses</b>	<b>344,061,253</b>	<b>935,224</b>	<b>344,996,477</b>
<b>Total Expenses</b>	<b>\$ 375,693,639</b>	<b>\$ 4,987,695</b>	<b>\$ 380,681,334</b>

*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, 2022	Program Services	Supporting Services	Total Expenses
	Direct Client Services	General and Administrative	
<b>Salaries and Related Expenses</b>			
Salaries	\$ 24,427,922	\$ 2,809,917	\$ 27,237,839
Employee benefits	4,717,509	542,650	5,260,159
Payroll taxes	335,581	38,602	374,183
<b>Total Salaries and Related Expenses</b>	<b>29,481,012</b>	<b>3,391,169</b>	<b>32,872,181</b>
<b>Operating Expenses</b>			
Purchase of services:			
Residential care facilities	115,246,657	-	115,246,657
Day programs	100,433,590	-	100,433,590
Other purchased services	63,715,638	-	63,715,638
Transportation	11,296,075	-	11,296,075
Facility rent	2,367,327	272,311	2,639,638
Contract consultants	653,263	84,286	737,549
Volunteer expenses	612,255	-	612,255
General expenses	389,282	44,776	434,058
General office expenses	320,473	36,864	357,337
Equipment purchases	319,136	36,710	355,846
Communication	295,621	34,005	329,626
Insurance	270,345	31,098	301,443
Legal fees	74,554	8,576	83,130
Dues	72,158	8,300	80,458
Travel	61,628	15,521	77,149
Accounting fees	68,255	7,851	76,106
Equipment rental	56,599	6,511	63,110
Postage	55,000	6,327	61,327
Equipment maintenance	42,917	4,937	47,854
Bank fees and interest expense	12,313	1,416	13,729
Printing	11,944	1,374	13,318
Board of Directors' expenses	1,421	164	1,585
<b>Total Operating Expenses</b>	<b>296,376,451</b>	<b>601,027</b>	<b>296,977,478</b>
<b>Total Expenses</b>	<b>\$ 325,857,463</b>	<b>\$ 3,992,196</b>	<b>\$ 329,849,659</b>

*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	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 19,195	\$ 34,575
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in:		
Receivable - State Regional Center contracts	(18,614,203)	(30,297,593)
Receivable - Intermediate Care Facility providers, net	(517,361)	418,332
Other receivables	(96,501)	(49,333)
Prepaid expenses	(89,457)	(203,726)
Inventory	-	1,220
Increase (decrease) in:		
Accounts payable	3,525,111	2,526,737
Advance - State Regional Center contracts	16,622,110	25,791,369
Accrued salaries and payroll taxes	366,224	86,330
Retirement plan contribution payable	40,237	7,688
Unexpended client trust funds	1,157,933	(1,620,313)
Contract advances	-	(800)
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>2,413,288</b>	<b>(3,305,514)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,413,288</b>	<b>(3,305,514)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>30,174,545</b>	<b>33,480,059</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 32,587,833</b>	<b>\$ 30,174,545</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
<b>Components of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 26,585,985	\$ 25,330,630
Cash - held for others	6,001,848	4,843,915
<b>Total</b>	<b>\$ 32,587,833</b>	<b>\$ 30,174,545</b>
<b>Cash Paid for Interest</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Schedule of Noncash Operating Activities</b>		
(Increase) decrease in due from state - accrued vacation and other leave benefits	\$ (284,420)	\$ 85,073
(Increase) decrease in operating lease right-of-use assets	(15,850,948)	-
(Increase) decrease in due from state - leases	(200,092)	-
Increase (decrease) in accrued vacation and other leave benefits	284,420	(85,073)
Increase (decrease) in operating lease liability	16,051,040	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>

*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**

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**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities*** San Gabriel/Pomona Valleys Developmental Services, Inc. (the Center) was incorporated on April 14, 1986 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, 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 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 regional center purchases client services, shall serve as a member of the Center's 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. 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. (the 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 Center. In regards to its financial grants program, the recipients and their families are primarily clients of the Center. 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)

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**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, 2023, cash exceeded federally insured limits by \$33,687,075. At June 30, 2022, cash exceeded federally insured limits by \$29,737,111. 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)

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**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 \$105,215,999 and \$88,593,889 at June 30, 2023 and 2022, 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.

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 \$2,025,845 and \$1,508,484 at June 30, 2023 and 2022, 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 \$4,626,686 and \$4,520,369 as of June 30, 2023 and 2022, 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.

**Leases** The Organization accounts for leases in accordance with FASB ASC 842. The Organization is a lessee in a noncancellable operating lease for office space, as well as an operating lease for office equipment. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and right-of-use (ROU) asset at the commencement date of the lease.



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*Operating Lease Liabilities:* A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable lease payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index or rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Organization has elected to use the risk-free borrowing rate per Accounting Standards Update (ASU) No. 2021-09, *Leases (Topic 842): Discount Rate for Lessees That are Not Public Business Entities*. The Organization has elected to use this rate for all classes of underlying assets.

*Operating Lease – Right-of-Use (ROU) Asset:* A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected not to recognize the ROU assets and lease liabilities that arise from short-term leases (have a lease term of 12 months or less, but greater than one month at lease commencement, and do not include an option to purchase the underlying assets that the Organization is reasonably certain to exercise) for any class of underlying asset and instead recognize the lease payments in the statements of functional 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, 2023 and 2022, was \$1,742,634 and \$1,759,322, respectively. These balances include only the equipment that is sensitive or exceeds \$5,000 as required by State Administrative Manual (SAM) guidelines.

**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.

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**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.

**Federal Grants** The Organization received two federal grants as of June 30, 2023 and 2022, as follows:

*U.S. Department of Education:* The Organization is a sub-recipient to State of California DDS with regard to the Special Education Grants for Infants and Families with disabilities, which provides funding for early intervention services for infants and toddlers, through age 3, as authorized by Public Law 102-119. Revenue received from this program for the years ended June 30, 2023 and 2022, was \$2,107,372 and \$2,150,310, respectively, and is included in State Regional Center contracts revenue on the statement of activities.

*The Corporation for National and Community Services:* The Organization is a sub-recipient to DDS with regard to the Foster Grandparent grant. The grant is provided to qualified agencies and organizations for the dual purpose of engaging persons 55 or older, with limited income, in volunteer services to meet critical community needs. The program strives to provide a high quality volunteer experience that will enrich the lives of the volunteers. The grant funds are used to support Foster Grandparents in providing supportive, person to person service to children with exceptional or special needs or in circumstances identified as limiting their academic, social, or emotional development. Revenue received from this program for the years ended June 30, 2023 and 2022, was \$262,538 and \$257,146, respectively, and is included in State Regional Center contracts revenue on the statement of activities.

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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.

**Change in Accounting Principle** In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, with a date of initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The Organization did not restate prior comparative period as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of July 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. No cumulative effect adjustment to net assets as of July 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended June 30, 2023.

Package of practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases.
- Election not to reassess the lease classification for any expired or existing leases.
- Election not to reassess initial direct costs on any existing leases.

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Other practical expedients:

- Election whereby the lease and nonlease components will not be separated for all classes of underlying assets.
- Election not to record ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short-term lease costs.

**Subsequent Events** The Organization's management has evaluated subsequent events through January 24, 2024, the date on which the financial statements were available to be issued.

**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	2023	2022
Cash and cash equivalents	\$ 26,585,985	\$ 25,330,630
Receivable - State Regional Center contracts	116,200,787	97,586,584
Less: Advance - State Regional Center contracts	(105,215,999)	(88,593,889)
Receivable - Intermediate Care Facility providers, net	2,025,845	1,508,484
Other receivables	183,834	87,333
Less: Cash subject to donor restriction	(760)	(833)
<b>Total Financial Assets Available Within One Year</b>	<b>\$ 39,779,692</b>	<b>\$ 35,918,309</b>

Each regional center submits a monthly purchase of service expenditure projection to DDS, beginning in December of each fiscal year. By February 1<sup>st</sup> 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.

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**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, 2023	\$ 466,947,381	\$ 367,634,787	\$ 99,312,594
June 30, 2022	\$ 364,993,926	\$ 324,646,754	\$ 40,347,172
June 30, 2021	\$ 322,373,903	\$ 315,479,600	\$ 6,894,303

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, 2024. The preliminary contract provides for initial funding of \$476,987,847.

**4. LINE OF CREDIT**

The Organization had a revolving line of credit with a bank whereby it could borrow up to \$30,000,000 until June 30, 2023. Interest was payable at 1% below the bank's prime rate, with an effective rate of 7.25% as of June 30, 2023. In May 2023, the Organization renewed their agreement for 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, 2024. The outstanding balance on the line of credit was \$0 at June 30, 2023 and 2022.

**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.

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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, 2023 and 2022, was \$3,007,454 and \$2,957,245, respectively.

## **6. COMMITMENTS**

### **Lease Commitments**

The Organization has obligations as a lessee for office space and office equipment with initial noncancellable terms in excess of one year. The office space lease has an initial term of 10 years. The Organization has signed an amendment to the lease which extends the lease term for an additional 65 months with an option to extend the lease for another 5 years. Because the Organization is not reasonably certain to exercise this option to extend, the optional period is not included in determining the lease term, and associated payments under this renewal option are not included in the lease payments used to determine lease liabilities. The office equipment lease has an initial term of 5 years with no options to extend. The Organization classifies these leases as operating leases.

Payments due under lease contracts include fixed payments and variable payments. Some of the Organization's office space leases require variable payments of the Organization's proportionate share of the buildings' property taxes, insurance, and other common area maintenance charges. These variable lease payments are not included in lease payments used to determine lease liabilities and are recognized as variable lease costs when incurred.

Beginning in 2022, the Organization has elected not to separate nonlease components from lease components for all office space and office equipment leases.

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Supplemental cash flow information related to leases included in the Statements of Cash Flows, were as follows:

Year Ended June 30, 2023

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 2,646,153
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 200,165

As of June 30, 2023, maturities of operating lease liabilities were as follows:

Years Ending June 30	Total
2024	\$ 2,562,234
2025	2,376,567
2026	2,667,451
2027	3,152,230
2028	3,240,156
Thereafter	3,607,194
<b>Total Lease Payments</b>	<b>\$ 17,605,832</b>
Less: Present value adjustment	1,554,792
<b>Present Value of Lease Liabilities</b>	<b>16,051,040</b>

The table below presents additional information related to the Organization's leases:

June 30, 2023

Weighted average remaining lease term:	
Operating leases	6.07
Weighted average discount rate:	
Operating leases	2.92%

Upon adoption of ASU No. 2016-02, the risk-free rate used for existing leases was established using the Daily Treasury Par Yield Curve rate as of July 1, 2022.

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**Disclosures Related to Periods Prior to the Adoption of ASU No. 2016**

As of June 30, 2022, the Organization had two operating leases for the use of office space and equipment. Total facilities and office equipment rental expense for the year ended June 30, 2022 was \$2,702,748.

The future minimum lease commitments required under the lease as of June 30, 2022 are as follows:

Years Ending June 30	
2024	\$ 2,628,000
2025	1,752,000
<b>Total</b>	<b>\$ 4,380,000</b>

**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, 2023 and 2022, were approximately \$2.9 million and \$1.4 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, 2023 and 2022, the Organization had \$100,000 in a reserve savings account to pay for any potential unemployment claims.

**8. CLIENT TRUST FUNDS (CASH HELD FOR OTHERS)**

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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The Organization's activities consisted of the following:

Years Ended June 30	2023	2022
<b>Client Trust Fund Liability - Beginning of Year</b>	\$ 4,843,915	\$ 6,464,228
Client support received	21,071,248	20,065,419
<b>Subtotal</b>	25,915,163	26,529,647
Less: Residential Care	15,402,324	15,209,570
Less: Other disbursement	4,454,932	6,501,366
Less: Net change in accounts receivable and accounts payable	56,059	(25,204)
<b>Client Trust Fund Liability - End of Year</b>	\$ 6,001,848	\$ 4,843,915

**9. NET ASSETS**

June 30	2023	2022
<b>NET ASSETS WITHOUT DONOR RESTRICTION</b>		
Undesignated	\$ 163,743	\$ 144,475
<b>Total Net Assets Without Donor Restriction</b>	\$ 163,743	\$ 144,475
<b>NET ASSETS WITH DONOR RESTRICTION</b>		
<b>Subject to Expenditures Restricted for a Specified Purpose</b>		
Holiday Reach Out Drive	\$ 760	\$ 833
<b>Total Net Assets With Donor Restriction</b>	\$ 760	\$ 833

**10. OTHER PURCHASED SERVICES**

Other purchased services consist of the following:

Years Ended June 30	2023	2022
Nonmedical services	\$ 28,877,900	\$ 25,410,014
Home care programs	2,121,609	2,275,756
Prevention services	16,395,967	13,920,278
Other authorized services	17,604,592	17,837,346
Personal and incidental	188,906	166,296
Medical equipment	49,760	88,782
Medical care	4,059,012	3,715,243
Camps	24,304	290
Other programs	43,648	301,633
<b>Total Other Purchased Services</b>	\$ 69,365,698	\$ 63,715,638

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**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, 2023 and 2022, 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.

**SUPPLEMENTARY INFORMATION SECTION**

**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.  
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June 30, 2023	Center	Foundation	Consolidated Balance
<b>ASSETS</b>			
Cash and cash equivalents	\$ 26,433,218	\$ 152,767	\$ 26,585,985
Cash - held for others	6,001,848	-	6,001,848
Receivable - State Regional Center contracts	116,200,787	-	116,200,787
Receivable - Intermediate Care Facility providers, net	2,025,845	-	2,025,845
Other receivables	183,834	-	183,834
Prepaid expenses	690,950	11,556	702,506
Due from state - accrued vacation and other leave benefits	2,522,702	-	2,522,702
Due from state - leases	200,092	-	200,092
Deposits	12,459	-	12,459
Operating lease right-of-use assets	15,850,948	-	15,850,948
Inventory	-	180	180
<b>TOTAL ASSETS</b>	<b>\$ 170,122,683</b>	<b>\$ 164,503</b>	<b>\$ 170,287,186</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable	\$ 38,895,617	\$ -	\$ 38,895,617
Advance - State Regional Center contracts	105,215,999	-	105,215,999
Accrued salaries and payroll taxes	1,199,426	-	1,199,426
Retirement plan contribution payable	136,051	-	136,051
Accrued vacation and other leave benefits	2,522,702	-	2,522,702
Reserve for unemployment insurance	100,000	-	100,000
Unexpended client trust funds	6,001,848	-	6,001,848
Operating lease liability - current portion	2,127,678	-	2,127,678
Operating lease liability - long term portion	13,923,362	-	13,923,362
<b>Total Liabilities</b>	<b>170,122,683</b>	<b>-</b>	<b>170,122,683</b>
<b>Net Assets</b>			
Without donor restriction	-	163,743	163,743
With donor restriction	-	760	760
<b>Total Net Assets</b>	<b>-</b>	<b>164,503</b>	<b>164,503</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 170,122,683</b>	<b>\$ 164,503</b>	<b>\$ 170,287,186</b>

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

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June 30, 2022	Center	Foundation	Consolidated Balance
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,187,502	\$ 143,128	\$ 25,330,630
Cash - held for others	4,843,915	-	4,843,915
Receivable - State Regional Center contracts	97,586,584	-	97,586,584
Receivable - Intermediate Care Facility providers, net	1,508,484	-	1,508,484
Other receivables	87,333	-	87,333
Prepaid expenses	611,049	2,000	613,049
Due from state - accrued vacation and other leave benefits	2,238,282	-	2,238,282
Deposits	12,459	-	12,459
Inventory	-	180	180
<b>TOTAL ASSETS</b>	<b>\$ 132,075,608</b>	<b>\$ 145,308</b>	<b>\$ 132,220,916</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable	\$ 35,370,506	\$ -	\$ 35,370,506
Advance - State Regional Center contracts	88,593,889	-	88,593,889
Accrued salaries and payroll taxes	833,202	-	833,202
Retirement plan contribution payable	95,814	-	95,814
Accrued vacation and other leave benefits	2,238,282	-	2,238,282
Reserve for unemployment insurance	100,000	-	100,000
Unexpended client trust funds	4,843,915	-	4,843,915
<b>Total Liabilities</b>	<b>132,075,608</b>	<b>-</b>	<b>132,075,608</b>
<b>Net Assets</b>			
Without donor restriction	-	144,475	144,475
With donor restriction	-	833	833
<b>Total Net Assets</b>	<b>-</b>	<b>145,308</b>	<b>145,308</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 132,075,608</b>	<b>\$ 145,308</b>	<b>\$ 132,220,916</b>

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

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Year Ended June 30, 2023	Center	Foundation	Consolidated Balance
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>			
<b>Support and Revenue</b>			
State Regional Center Contracts	\$ 375,660,003	\$ -	\$ 375,660,003
Intermediate Care Facility supplemental services income	4,626,686	-	4,626,686
Contributions	-	200	200
Special fund-raising event - net of direct expenses	-	50,101	50,101
Interest income	134,810	31	134,841
Other income	227,038	4	227,042
<b>Total Support and Revenue</b>	<b>380,648,537</b>	<b>50,336</b>	<b>380,698,873</b>
Net Assets Released from Donor Restriction	-	1,729	1,729
<b>Total Support, Revenue, and Net Assets Released from Restriction</b>	<b>380,648,537</b>	<b>52,065</b>	<b>380,700,602</b>
<b>EXPENSES</b>			
<b>Program Services:</b>			
Direct client services	375,664,741	28,898	375,693,639
<b>Supporting Services:</b>			
General and administrative	4,983,796	3,899	4,987,695
<b>Total Expenses</b>	<b>380,648,537</b>	<b>32,797</b>	<b>380,681,334</b>
<b>Changes in Net Assets Without Donor Restrictions</b>	<b>-</b>	<b>19,268</b>	<b>19,268</b>
<b>Net Assets Without Donor Restrictions - Beginning of Year</b>	<b>-</b>	<b>144,475</b>	<b>144,475</b>
<b>Net Assets Without Donor Restrictions - End of Year</b>	<b>\$ -</b>	<b>\$ 163,743</b>	<b>\$ 163,743</b>

*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.**  
CONSOLIDATING STATEMENTS OF ACTIVITIES  
(Continued)

Year Ended June 30, 2023	Center	Foundation	Consolidated Balance
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>			
<b>Support and Revenue</b>			
State Regional Center Contracts	\$ -	\$ -	\$ -
Intermediate Care Facility supplemental services income	-	-	-
Contributions	-	1,656	1,656
Special fund-raising event - net of direct expenses	-	-	-
Interest income	-	-	-
Other income	-	-	-
<b>Total Support and Revenue</b>	-	1,656	1,656
Net Assets Released from Donor Restriction	-	(1,729)	(1,729)
<b>Total Support, Revenue, and Net Assets Released from Restriction</b>	-	(73)	(73)
<b>EXPENSES</b>			
<b>Program Services:</b>			
Direct client services	-	-	-
<b>Supporting Services:</b>			
General and administrative	-	-	-
<b>Total Expenses</b>	-	-	-
<b>Changes in Net Assets With Donor Restrictions</b>	-	(73)	(73)
<b>Net Assets With Donor Restrictions - Beginning of Year</b>	-	833	833
<b>Net Assets With Donor Restrictions - End of Year</b>	\$ -	\$ 760	\$ 760

*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.**  
CONSOLIDATING STATEMENTS OF ACTIVITIES  
(Continued)

Year Ended June 30, 2022	Center	Foundation	Consolidated Balance
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>			
<b>Support and Revenue</b>			
State Regional Center Contracts	\$ 325,278,349	\$ -	\$ 325,278,349
Intermediate Care Facility supplemental services income	4,520,369	-	4,520,369
Contributions	-	12,650	12,650
Special fund-raising event - net of direct expenses	-	37,315	37,315
Interest income	5,255	26	5,281
Other income	28,401	200	28,601
<b>Total Support and Revenue</b>	<b>329,832,374</b>	<b>50,191</b>	<b>329,882,565</b>
Net Assets Released from Donor Restriction	-	11,055	11,055
<b>Total Support, Revenue, and Net Assets Released from Restriction</b>	<b>329,832,374</b>	<b>61,246</b>	<b>329,893,620</b>
<b>EXPENSES</b>			
<b>Program Services:</b>			
Direct client services	325,843,862	13,601	325,857,463
<b>Supporting Services:</b>			
General and administrative	3,988,512	3,684	3,992,196
<b>Total Expenses</b>	<b>329,832,374</b>	<b>17,285</b>	<b>329,849,659</b>
<b>Changes in Net Assets Without Donor Restrictions</b>	<b>-</b>	<b>43,961</b>	<b>43,961</b>
<b>Net Assets Without Donor Restrictions - Beginning of Year</b>	<b>-</b>	<b>100,514</b>	<b>100,514</b>
<b>Net Assets Without Donor Restrictions - End of Year</b>	<b>\$ -</b>	<b>\$ 144,475</b>	<b>\$ 144,475</b>

*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.**  
CONSOLIDATING STATEMENTS OF ACTIVITIES  
(Continued)

Year Ended June 30, 2022	Center	Foundation	Consolidated Balance
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>			
<b>Support and Revenue</b>			
State Regional Center Contracts	\$ -	\$ -	\$ -
Intermediate Care Facility supplemental services income	-	-	-
Contributions	-	1,669	1,669
Special fund-raising event - net of direct expenses	-	-	-
Interest income	-	-	-
Other income	-	-	-
<b>Total Support and Revenue</b>	-	1,669	1,669
Net Assets Released from Donor Restriction	-	(11,055)	(11,055)
<b>Total Support, Revenue, and Net Assets Released from Restriction</b>	-	(9,386)	(9,386)
<b>EXPENSES</b>			
<b>Program Services:</b>			
Direct client services	-	-	-
<b>Supporting Services:</b>			
General and administrative	-	-	-
<b>Total Expenses</b>	-	-	-
<b>Changes in Net Assets With Donor Restrictions</b>	-	(9,386)	(9,386)
<b>Net Assets With Donor Restrictions - Beginning of Year</b>	-	10,219	10,219
<b>Net Assets With Donor Restrictions - End of Year</b>	\$ -	\$ 833	\$ 833

*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  
FOR THE DEVELOPMENTALLY DISABLED, INC.**  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Contract Year(s)	Pass-Through Grant Number	Assistance Listing Number	Disbursements/ Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through State of California Department of Developmental Services - Special Education - Grants for Infants and Families with Disabilities (Part C)				
	22/23	H181A220037	84.181A	\$ 2,107,372
<b>Total U.S. Department of Education</b>				2,107,372
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</b>				
Passed Through State of California Department of Developmental Services - Foster Grandparent Program				
	22/23	19SFPCA002	94.011	262,538
<b>Total Corporation for National and Community Services</b>				262,538
<b>Total Expenditures of Federal Awards</b>				<b>\$ 2,369,910</b>

**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, 2023. 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. 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. Part C expenditures are based on state contract budget allocations.

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

To the Board of Directors  
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 financial statements of San Gabriel/Pomona Valleys Developmental Services, Inc., (the Center), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 24, 2024. 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 Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

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

(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 Center'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 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.

*AGT CPAs & Advisors*

AGT CPAs & Advisors  
Redding, California  
January 24, 2024

**INDEPENDENT AUDITOR'S 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, (the Center) 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 Center's major federal programs for the year ended June 30, 2023. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

**INDEPENDENT AUDITOR’S 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 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, 2023.

**Report on Internal Control Over Compliance**

Management of the Center 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 Center’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 Center’s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 AUDITOR'S 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 24, 2024

## **FINDINGS AND QUESTIONED COSTS SECTION**

**SAN GABRIEL/POMONA VALLEYS DEVELOPMENTAL SERVICES, INC.  
AND RICHARD D. DAVIS FOUNDATION  
FOR THE DEVELOPMENTALLY DISABLED, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2023

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**SECTION I  
SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

**SECTION II FINDINGS  
FINANCIAL STATEMENTS AUDIT**

None

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None

**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, 2023

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None