HARRINGTON GROUP
CERTIFIED PUBLIC ACCOUNTANTS, LLP

SOUTH CENTRAL LOS ANGELES REGIONAL CENTER FOR DEVELOPMENTALLY DISABLED PERSONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022

PASADENA
2698 Mataro Street
Pasadena, CA 91107
p: 626.403.6801

A Trusted Nonprofit Partner

www.npocpas.com

OAKLAND
1901 Harrison Street #1150
Oakland, CA 94612
p: 510.379.1182

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Central Los Angeles Regional Center
for Developmentally Disabled Persons, Inc.

Opinion

We have audited the accompanying financial statements of South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2022, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

PASADENA
2698 Mataro Street
Pasadena, CA 91107
p: 626.403.6801

A Trusted Nonprofit Partner
www.npocpas.com

OAKLAND
1901 Harrison Street #1150
Oakland, CA 94612
p: 510.379.1182

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material 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 South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc.'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.

Other Matter

Report on Summarized Comparative Information

We have previously audited South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023, on our consideration of South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc.'s internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
March 15, 2023

SOUTH CENTRAL LOS ANGELES REGIONAL CENTER
FOR DEVELOPMENTALLY DISABLED PERSONS, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2022
With comparative totals at June 30, 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Note 2)	**$ 47,562,726**	$ 9,850,528
Cash held for clients	**2,496,675**	1,947,027
Contracts receivable - State of California, net	**132,410,566**	129,100,367
Receivable from intermediate care facility vendors	**1,135,614**	1,090,077
Other receivables	**1,310,234**	887,720
Deposits and prepaid expenses	**297,944**	180,363
Receivable from the state for vacation and sick leave benefits	**1,700,518**	1,453,605
Receivable from state for pension benefit obligation	**47,141,787**	78,410,983
Receivable from the state for deferred rent	**20,279,342**	17,931,794
TOTAL ASSETS	**$ 254,335,406**	$ 240,852,464
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	**$ 40,640,617**	$ 61,684,435
Accrued vacation and sick leave benefits	**1,700,518**	1,453,605
Contracts advance - State of California	**140,810,048**	78,662,200
Amounts held for clients	**3,270,332**	2,232,286
Pension benefit obligations	**47,141,787**	78,410,983
Deferred rent	**20,279,342**	17,931,794
Line of credit (Note 6)	**-**	-
TOTAL LIABILITIES	**253,842,644**	240,375,303
NET ASSETS		
Without donor restrictions	**492,762**	477,161
TOTAL NET ASSETS	**492,762**	477,161
TOTAL LIABILITIES AND NET ASSETS	**$ 254,335,406**	$ 240,852,464

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

SOUTH CENTRAL LOS ANGELES REGIONAL CENTER FOR DEVELOPMENTALLY DISABLED PERSONS, INC.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2022
With comparative totals for the year ended June 30, 2021

	2022	2021
REVENUE WITHOUT DONOR RESTRICTIONS		
Contracts - State of California	**$ 453,651,314**	$ 510,740,748
Intermediate Care Facility supplemental services income	**698,028**	1,146,798
Grants	**288,893**	152,343
Other income	**671,628**	362,473
Interest income	**6,588**	20,924
Net assets released from restrictions (Note 9)	**-**	-
TOTAL REVENUE WITHOUT DONOR RESTRICTIONS	**455,316,451**	512,423,286
EXPENSES		
Program services		
Purchase of services	**405,315,033**	462,901,630
Personnel expenses	**29,626,833**	29,973,135
Operating expenses	**121,797**	36,647
Total program services	**435,063,663**	492,911,412
General and administrative		
Operating expenses	**14,939,060**	13,680,380
Personnel expenses	**5,298,127**	5,855,477
Total general and administrative	**20,237,187**	19,535,857
TOTAL EXPENSES	**455,300,850**	512,447,269
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	**15,601**	(23,983)
State claim relating to net periodic costs and other pension related changes	**(31,269,196)**	(9,492,207)
Net periodic benefit costs	**(8,265,895)**	(8,820,071)
Pension plan related changes other than net periodic benefit costs	**39,535,091**	18,312,278
CHANGE IN NET ASSETS AFTER PENSION RELATED CHANGES	**15,601**	(23,983)
NET ASSETS, BEGINNING OF YEAR	**477,161**	501,144
NET ASSETS, END OF YEAR	**$ 492,762**	$ 477,161

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

SOUTH CENTRAL LOS ANGELES REGIONAL CENTER
FOR DEVELOPMENTALLY DISABLED PERSONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022
With comparative totals for the year ended June 30, 2021

	Program Services				**Total**		**Total Expenses**	
	Out of Home Program	**Day Program**	**Transportation Services**	**Other Purchased Services**	**Program Services**	**General and Administrative**	**2022**	2021
Salaries	$ 6,389,599	$ 2,875,526	$ 998,183	$ 12,630,503	$ 22,893,811	$ 4,120,846	**$ 27,014,657**	$ 25,966,343
Employee benefits and retirement benefits	1,790,934	805,978	279,780	3,540,192	6,416,884	1,114,946	**7,531,830**	9,506,781
Payroll taxes	88,233	39,708	13,784	174,413	316,138	62,335	**378,473**	355,488
Total personnel expenses	8,268,766	3,721,212	1,291,747	16,345,108	29,626,833	5,298,127	**34,924,960**	35,828,612
Purchases of services								
Other purchased services				223,612,093	223,612,093		**223,612,093**	267,554,686
Out of home	113,122,295				113,122,295		**113,122,295**	116,501,276
Day program		50,908,689			50,908,689		**50,908,689**	54,950,326
Transportation services			17,671,956		17,671,956		**17,671,956**	23,895,342
Facility rent					-	8,437,892	**8,437,892**	8,773,316
General office expenses	748	337	117	1,479	2,681	1,243,533	**1,246,214**	1,086,951
Data processing maintenance					-	994,597	**994,597**	552,923
Equipment purchases					-	757,123	**757,123**	140,781
General expenses					-	621,118	**621,118**	899,554
Communication					-	591,191	**591,191**	444,433
Legal fees					-	517,805	**517,805**	219,087
Insurance					-	477,649	**477,649**	477,693
Contract consultants	18,553	8,349	2,898	36,674	66,474	356,479	**422,953**	226,424
Facility maintenance					-	390,126	**390,126**	361,212
Postage					-	134,987	**134,987**	145,280
Travel	14,692	6,612	2,295	29,043	52,642	47,758	**100,400**	44,567
Equipment maintenance					-	100,186	**100,186**	100,862
Dues					-	92,526	**92,526**	80,458
Professional fees					-	76,500	**76,500**	56,900
Interest expense and bank fees					-	37,773	**37,773**	62,883
Equipment rental					-	34,584	**34,584**	32,925
Printing					-	27,233	**27,233**	10,778
TOTAL 2022 FUNCTIONAL EXPENSES	**$ 121,425,054**	**$ 54,645,199**	**$ 18,969,013**	**$ 240,024,397**	**$ 435,063,663**	**$ 20,237,187**	**$ 455,300,850**	
TOTAL 2021 FUNCTIONAL EXPENSES	$ 124,054,021	$ 58,512,741	$ 25,444,470	$ 284,900,180	$ 492,911,412	$ 19,535,857		$ 512,447,269

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

SOUTH CENTRAL LOS ANGELES REGIONAL CENTER FOR DEVELOPMENTALLY DISABLED PERSONS, INC.

STATEMENT OF CASH FLOWS
For the year ended June 30, 2022
With comparative totals for the year ended June 30, 2021

	2022	2021
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:		
Change in net assets	**$ 15,601**	$ (23,983)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
(Increase) decrease in operating assets:		
Cash held for clients	**(549,648)**	(384,008)
Contracts receivable - State of California	**(3,310,199)**	(43,838,854)
Receivable from intermediate care facility vendors	**(45,537)**	693,378
Other receivables	**(422,514)**	(454,950)
Deposits and prepaid expenses	**(117,581)**	40,553
Receivable from state for accrued vacation and sick leave benefits	**(246,913)**	101,302
Receivable from state for pension benefit obligation	**31,269,196**	9,492,207
Receivable from the state for deferred rent	**(2,347,548)**	(2,512,370)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**(21,043,818)**	43,755,813
Accrued vacation and sick leave benefits	**246,913**	(101,302)
Contracts advance - State of California	**62,147,848**	1,646,419
Amounts held for clients	**1,038,046**	545,736
Pension benefit obligations	**(31,269,196)**	(9,492,207)
Deferred rent	**2,347,548**	2,512,370
NET CASH PROVIDED BY OPERATING ACTIVITIES	**37,712,198**	1,980,104
CASH FLOWS FROM (TO) FINANCING ACTIVITIES:		
Borrowings on line of credit	**17,210,559**	35,399,085
Payments on line of credit	**(17,210,559)**	(35,399,085)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**-**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	**37,712,198**	1,980,104
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**9,850,528**	7,870,424
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 47,562,726**	$ 9,850,528
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest:	**$ 25,588**	$ 34,813

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

1. Organization

South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. ("SCLARC"), was incorporated on May 2, 1983, as a California nonprofit corporation. SCLARC 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, SCLARC provides services for persons with developmental disabilities and their families. Services include, but are not limited to, programs of developmental services, public information and education, research, manpower and resource development, and evaluation. SCLARC serves five County of Los Angeles Districts including Compton, San Antonio, Southeast and Southwest. The Act includes governance provisions regarding the composition of SCLARC'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, which is composed of persons representing the various categories of providers from which SCLARC purchases client services, shall serve as a member of SCLARC's board. To comply with the Act, SCLARC's board of directors includes persons with developmental disabilities, or their parents or legal guardians, who receive services from SCLARC and a client service provider of SCLARC.

SCLARC contracts with the State of California Department of Developmental Services ("DDS") to operate a regional center for individuals with developmental disabilities and their families. Under the terms of these contracts, funded expenditures are not to exceed $571,296,389 for the 2021-2022 contract year. Actual net expenditures under SCLARC contracts for the 2021-2022 contract year was $453,651,481 includes expenses from the two prior fiscal years as DDS' contract with SCLARC is on a three year cycle from 2021-2022.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Accounting

The financial statements of SCLARC 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 a qualifying expense is incurred.

continued

2. **Summary of Significant Accounting Policies**, continued

Net Assets

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

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

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2022, SCLARC had no net assets with donor restrictions.

Contributions

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

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor's stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Permanently restricted contributions and net assets have restrictions stipulated by the donor that the corpus be invested in perpetuity and only the income be made available for operations.

continued

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

SCLARC has defined cash and cash equivalents as cash in banks and certificates of deposit with an original maturity of six months or less.

Concentration of Credit Risks

SCLARC places their temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. SCLARC has not incurred losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Contracts Receivable - State of California

Contracts receivable and contract support are recorded on the accrual method as related expenses are incurred.

Receivables from Intermediate Care Facility Vendors

SCLARC for Medicare and Medicaid Services ("CMS") has approved federal financial participation in the funding of the day and related transportation services purchased by SCLARC for consumers who reside in intermediate care facilities ("ICF's"). CMS agreed that the day and related transportation services are part of the ICF's service; however, the federal rules allow for only one provider of the ICF's service. Accordingly, all the Medicaid funding for the ICF's residents must go through the applicable ICF's provider. SCLARC receives a 1.5% administrative fee based on the funds received to cover the additional workload.

The DDS has directed SCLARC to prepare billings for these services on behalf of the ICF's and submit a separate state claim report for these services. SCLARC 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 ICF's. DDS advances the amount according to the state claim to the ICF's. The ICF's are then required to pass on the payments received, as well as SCLARC's administrative fee, to SCLARC within 30 days of receipt of funds from the State Controller's Office.

State-owned Equipment

Pursuant to the terms of the contract with the DDS, equipment purchases become the property of the state and, accordingly, are charged as expenses when incurred. For the year ended June 30, 2022, equipment purchases totaled $757,123.

Accrued Vacation and Sick Leave Benefits

SCLARC has accrued a liability for leave benefits earned. SCLARC has also recorded a receivable from the state for the accrued leave benefits to reflect the future reimbursement of such benefits. However, such benefits are reimbursed under the state contract only when actually paid.

continued

2. Summary of Significant Accounting Policies, continued

Obligation for Retirement Pension Benefits

SCLARC is required to recognize the funded status of the California Public Employee's Retirement System ("CalPERS") pension plans, measured as the difference between plan assets at fair value and the pension obligation, in the statement of financial position, with an offsetting charge or credit to net assets or net deficit. SCLARC has accrued a liability for the CalPERS pension. SCLARC has also recorded a receivable from the state for pension benefit obligation to reflect the future reimbursement of such benefits. However, such benefits are reimbursed under the state contract only when actually paid.

Deferred Rent

SCLARC leases office facilities under lease agreements that are subject to scheduled acceleration of rental payments. The scheduled rent increases are amortized evenly over the life of the lease. The deferred rent liability represents the difference between the cash payments made and the amount expensed since inception of the lease. SCLARC has also recorded a receivable from the state for deferred rent to reflect the future reimbursement of such expense. However, such expenses are reimbursed under the state contract only when actually paid.

Income Taxes

SCLARC is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d).

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by SCLARC in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. SCLARC returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing SCLARC programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Use of Estimates

The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

continued

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

SCLARC 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 portion of the SCLARC'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 SCLARC has incurred expenditures in compliance with specific contract or grant provisions.

If amounts are received prior to incurring qualifying expenditures, such amounts are reported as refundable advances in the Statement of Financial Position. SCLARC received cost-reimbursable grants that were earned as expenses were incurred and are reported in the Statement of Activities. SCLARC did not receive advance payments grants or contracts during the current fiscal year.

SCLARC has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the organization's financial reporting.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SCLARC's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Reclassification

Certain amounts from the June 30, 2021 presentation have been reclassified to conform to the June 30, 2022 presentation.

Subsequent Events

Management has evaluated subsequent events through March 15, 2023, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

continued

3. Liquidity and Availability of Resources

SCLARC regularly monitors its liquidity that is required to meet its operating needs and contractual commitments. SCLARC's sources of liquidity at its disposal includes cash and cash equivalents, accounts receivable and pledges receivable.

For purposes of analyzing resources required to meet operating expense over a 12-month period, SCLARC considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, billable services, and fundraising. The Finance Committee of the Board of Directors meets regularly to review all financial aspects of the organization.

In addition to financial assets available to cover expenditures over the next 12 months, SCLARC operates with a budget that anticipates collecting sufficient revenue to cover general expenditures.

As of June 30, 2022, the following table shows the total financial assets held by SCLARC and the amounts of those financial assets that could be readily available within one year of the statement of financial position date to meet general expenditures.

Cash and cash equivalents	$ 47,562,726
Contracts receivable	132,410,566
Receivable from intermediate care facility vendors	1,135,614
Other receivables	4,800,661
Assets available to meet general expenditures within one year	$185,909,567

4. Cash Held for Clients and Unexpended Client Support

SCLARC functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of regional center clients. The cash balances are segregated from the operating cash accounts of SCLARC and are restricted for client support. Since SCLARC is acting as an agent in processing these transactions, no revenue or expense is reflected on the accompanying statements of activities. The following is a summary of client support and expenses not reported in the statements of activities as of June 30, 2022:

Support:	
Social Security and other client support	$16,642,325
Disbursements:	
Living out of own home	$10,810,063
Other disbursements	4,909,929
	$15,719,992

continued

5. Contracts Receivable/Contract Advances – State of California

SCLARC's major source of revenue is from the State of California. Each fiscal year, SCLARC 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 SCLARC or by applying the claims reimbursements against advances already made to SCLARC.

As of June 30, 2022, DDS had advanced SCLARC $140,810,048, under the contracts with the DDS. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the claims receivable from DDS as of June 30, 2022 as follows:

Contracts receivable - State of California	$ 132,352,161
Contract advances - State of California	(140,810,048)
Net contract advances	$ (8,457,887)

The net contract advances above will be applied against state claim receivable in future fiscal years.

SCLARC has received its contract for the year ended June 30, 2022. The contract provides for funding of $571,296,389.

6. Line of Credit

SCLARC has an unsecured revolving line of credit with a bank in the amount of $50,000,000, at a rate equal to, at SCLARC's option: the greater of 2.25% or the prime rate minus 1%, due June 2023. There was no outstanding balance at June 30, 2022.

7. Employee Benefit Plan

SCLARC contributes to the CalPERS for retirement benefits. CalPERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within California. Substantially all of SCLARC's employees participate in CalPERS.

FASB Accounting Standards Codification (ASC) 715-30, "Defined Benefit Plans - Pension," requires SCLARC to recognize the funded status of a defined benefit retirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in unrestricted net assets in the year in which the change occurs.

The excess of the total actuarial accrued liability over the market value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls.

SCLARC has three retirement plans with CalPERS. One plan is a 3%-at-age-60 formula, which closed as of July 1, 2007. All employees hired prior to July 1, 2007, participate in this plan. The second plan is a 2%-at-age-60 formula which closed as of January 1, 2013. All employees hired from July 1, 2007 through December 31, 2012, participate in this plan. The third plan is a 2%-at-age-62 formula which was established by the Public Employees' Pension Reform Act of 2013 (PEPRA) and all employees hired on or after January 1, 2013, participate in this plan. The total required employee contributions are 8% of earnings for the 3% at-age-60 plan, 7% of earnings for the 2%-at-age-60 plan, and 6.25% of earnings for the 2%-at-age-62 plan. SCLARC is required to contribute the remaining amounts necessary to fund the benefits for its employees, using the actuarial basis adopted by the CalPERS Board of Administration.

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

The net periodic benefit cost for the year ended June 30, 2022 is as follows:

Service cost	$ 9,860,149
Interest cost	5,278,999
Expected (return) on plan assets	(6,873,253)
Net periodic benefit cost	$ 8,265,895

Amounts recognized in the statement of financial position as of June 30, 2022 is $47,141,787.

Pension benefit changes other than net periodic benefit costs during the year ended June 30, 2022 is $(39,535,091).

continued

7. Employee Benefit Plan, continued

Change in benefit obligation	
Benefit obligation, beginning of year	$175,709,184
Service cost	9,860,149
Interest cost	5,278,999
Assumption change (gain)	(53,566,532)
Experience loss	4,937,215
Benefits and expenses paid	(3,429,554)
Benefit obligation, end of year	$138,789,461
Change in fair value of plan assets	
Fair value of plan assets, beginning of year	$97,298,201
Actual return on plan assets	(7,432,794)
Employer contributions	3,648,489
Employee contributions	1,563,332
Benefits and expenses paid	(3,429,554)
Fair value of plan asset, end of year	$91,647,674
Plan net pension liability	$(47,141,787)

The unrecognized net (gain) or loss for the year ended June 30, 2022 is as follows:

Unrecognized net (gain) or loss	
Beginning of year	$ 6,469,616
Experience loss	4,937,215
Asset loss	14,306,047
Assumption change (gain)	(53,566,532)
End of year	$(27,853,654)

The assumptions used in the measurement of the benefit obligations at June 30, 2022 are as follows:

Discount rate (benefit expense)	4.67%
Discount rate (benefit obligation)	4.67%
Expected long-term return on plan assets	6.80%
Rate of compensation increase	4.00%

This discount rate was derived from the Above Median Citigroup Pension Discount Curve as of the end of June 30, 2022 using the expected payouts from the plan. The rate used as of the beginning of the fiscal year (used to calculate the expense for the year) was 4.00%. The Long-term rate of return on plan assets is the expected return used by CalPERS for their pension fund and was derived based on their long-term expectation of asset returns in consultation with CalPERS investment staff and advisors. The annual pension expense under ASC 715 is based on the expected return on plan assets during the fiscal year. For the Mortality rate, the actuary used the Pri-2012 Total Data Mortality Tables projected forward generationally using the MP-2021 projection scale. This assumption is expected to be a best estimate of future mortality experience, being based on the latest published study by the Society of Actuaries, which was finalized in October 2021.

continued

7. Employee Benefit Plan, continued

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that SCLARC has the ability to access.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement in its entirety. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Plan assets of $97,298,201 are held in a pooled investment account managed by CalPERS and are considered level three investments.

The following table provides further details of the Level 3 fair value measurements:

Beginning balances	$97,298,201
Actual return on plan assets	(7,432,794)
Total contributions	5,211,821
Benefits and expenses paid	(3,429,554)
Total	$91,647,674

The following benefit payments for the next ten years, which reflect expected future service, as appropriate, are expected to be paid at June 30, 2022 and for the years then ended:

Year ending June 30,	**Expected Payment**
2023	$ 3,578,391
2024	3,849,261
2025	4,122,577
2026	4,440,968
2027	4,910,281
2027 – 2032 Aggregate	31,416,562
	$52,318,040

continued

8. Commitments and Contingencies

Commitments

SCLARC is obligated under various operating lease agreements expiring through October 2029 and April 2049 for office equipment and office facilities. The terms of the office lease agreement provide for payment of minimum annual rental payments, with fixed increases. Future minimum lease commitments as of June 30, 2022 are as follows:

Year ending June 30,	Office Facility	Equipment	Total
2023	$ 6,107,158	$19,707	$ 6,126,865
2024	6,290,373	19,707	6,310,080
2025	6,479,084	2,469	6,481,553
2026	6,673,457		6,673,457
2027	6,856,575		6,856,575
Thereafter	235,884,596		235,884,596
	$268,291,243	$41,883	$268,333,126

Rent expense consisted of the following for the year ended June 30, 2022:

Facilities and office equipment rental payments	$ 8,437,892
Deferred rent liability increase	2,347,548
	$10,785,440

Contingencies

In accordance with the terms of the contract with the DDS, an audit may be performed by an authorized DDS representative. Should such audit disclose any unallowable costs, SCLARC may be liable to the DDS for reimbursement of such costs. In the opinion of SCLARC's management, the effect of any disallowed costs would be immaterial to the financial statements at June 30, 2022, and for the year then ended.

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

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

continued

8. Commitments and Contingencies, continued

Impact of COVID-19 Virus

Following the Los Angeles County and State "Safer at Home" order to close all non-essential business activities, SCLARC has been conducting business activities under Los Angeles' Safer at Home isolation protocols. The overall impact of the COVID-19 virus on SCLARC cannot be foreseen at this time and is not reflected in these financial statements.

9. Transactions with Affiliates

Friends of South Central Los Angeles Regional Center for the Developmentally Disabled Persons, Inc. ("Friends") is a separately incorporated California nonprofit corporation organized to improve the quality of life of the developmentally disabled consumers and families of SCLARC by providing assistance and activities that are not otherwise available through SCLARC or any other agency. SCLARC provides certain in-kind administrative services. The value of such services is not deemed significant and has not been recorded in the financial statements.

In August 2013, a limited liability company owned by Friends borrowed $55,000,000 from the California Municipal Finance Authority through the issuance of California Municipal Finance Authority Revenue Bonds to finance the construction of office buildings in Los Angeles for use by SCLARC. In connection with the issuance of the bonds, the limited liability company entered into a long-term lease with SCLARC and has pledged the rent payments to be received under the lease with SCLARC as the primary source of revenues to secure the repayment of the bonds. Rent under the lease commenced in May 2015, with a term of 34 years, or until the rent necessary to repay the bonds is received. Office and parking rent commenced in May 2015, and started at $392,970 per month for the first year and increases annually by three percent. SCLARC will also be responsible for operating expenses as defined in the agreement.