

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

Los Angeles, California

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS**

June 30, 2023



**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. (SCLARC), 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SCLARC as of June 30, 2023, 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 (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 SCLARC 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 these 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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

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 SCLARC's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2024, on our consideration of SCLARC'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 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 SCLARC's internal control over financial reporting and compliance.

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
March 20, 2024

FINANCIAL SECTION

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**
STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

Cash and cash equivalents	\$ 50,846,562
Cash - client trust funds (Note 3)	4,016,099
Receivable - State Regional Center contracts	167,402,979
Receivable - Intermediate Care Facility providers	1,211,604
Prepaid expenses	125,958
Other receivables	1,251,305
Due from state - accrued vacation and other leave benefits	2,313,591
Due from state - unfunded defined benefit plan liability	35,727,932
Due from state - leases	2,956,901
Operating lease right-of-use asset	151,194,473

TOTAL ASSETS	\$ 417,047,404
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LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 57,548,454
Advance - State Regional Center contracts	161,830,056
Accrued and other liabilities	1,309,867
Accrued vacation and other leave benefits	2,313,591
Client trust fund liability	4,016,099
Unfunded defined benefit plan liability	35,727,932
Operating lease liability - current portion	1,541,435
Operating lease liability - long term portion	152,609,939

Total Liabilities	416,897,373
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Net Assets

Without donor restriction	150,031
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Total Net Assets	150,031
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TOTAL LIABILITIES AND NET ASSETS	\$ 417,047,404
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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

Year Ended June 30, 2023

SUPPORT AND REVENUE

State Regional Center contracts	\$ 528,085,332
Intermediate Care Facility supplemental services income	969,908
Intermediate Care Facility administrative fees	14,529
Interest income	124,205
Other income: future lease expense claims	2,956,901
Contributions and other income	378,644

Total Support and Revenue	532,529,519
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EXPENSES

Program Services

Personnel expenses	32,074,041
Purchase of services	477,668,772
Operating	345,940

General and Administrative

Personnel expenses	6,809,082
Operating	15,974,415

Total Expenses	532,872,250
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Changes in Net Assets Before Periodic Pension Related Changes	(342,731)
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Net State Regional Center contract income (expense) relating to net periodic costs and other pension related changes	(11,413,855)
Net periodic benefit cost	(5,563,402)
Pension plan related changes other than net periodic benefit costs	16,977,257

Subtotal	-
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Changes in Net Assets After Periodic Pension Related Changes	(342,731)
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Net Assets - Beginning of Year	492,762
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Net Assets - End of Year	\$ 150,031
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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

Year Ended June 30, 2023	Program Services	General and Administrative	Total
Personnel Expenses			
Salaries	\$ 24,920,495	\$ 5,292,324	\$ 30,212,819
Benefits	6,788,183	1,441,595	8,229,778
Payroll taxes	365,363	75,163	440,526
Total Personnel Expenses	32,074,041	6,809,082	38,883,123
EXPENSES			
Purchase of Services			
Other purchased services	266,180,329	-	266,180,329
Out of home	130,380,862	-	130,380,862
Day programs	58,993,657	-	58,993,657
Transportation	22,113,924	-	22,113,924
Total Purchase of Services	477,668,772	-	477,668,772
Operating			
Lease expense - operating (paid)	-	6,147,860	6,147,860
Lease expense - operating (accrued)	-	2,956,901	2,956,901
General expenses	-	1,141,495	1,141,495
General office expenses	141,043	1,290,391	1,431,434
Data processing maintenance	-	841,530	841,530
Facility rent	-	648,664	648,664
Insurance	-	628,950	628,950
Contract consultants	53,103	518,506	571,609
Communication	-	505,063	505,063
Facility maintenance	-	370,521	370,521
Equipment purchases	-	287,901	287,901
Travel	151,794	52,987	204,781
Equipment maintenance	-	141,975	141,975
Postage	-	131,212	131,212
Dues	-	92,526	92,526
Legal fees	-	85,673	85,673
Professional fees	-	74,000	74,000
Interest expense and bank fees	-	25,949	25,949
Printing	-	20,042	20,042
Equipment rental	-	12,269	12,269
Total Operating	345,940	15,974,415	16,320,355
TOTAL EXPENSES	\$ 510,088,753	22,783,497	\$ 532,872,250

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

Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ (342,731)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Receivable - State Regional Center contracts	(34,992,413)
Receivable - Intermediate Care Facility providers	(75,990)
Prepaid expenses	171,986
Other receivables	58,929
Increase (decrease) in:	
Accounts payable	16,934,606
Advance - State Regional Center contracts	21,020,008
Accrued and other liabilities	1,283,098
Client trust funds liability	745,767
Cash Provided By Operating Activities	4,803,260
Increase in Cash	4,803,260
Cash - Beginning of Year	50,059,401
Cash - End of Year	\$ 54,862,661

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Components of Cash and Cash Equivalents

Cash and cash equivalents	\$ 50,846,562
Cash - client trust funds	4,016,099
Total	\$ 54,862,661

SCHEDULE OF NONCASH

(Increase) decrease in due from state - accrued vacation and other leave benefits	\$ (613,073)
(Increase) decrease in due from state - unfunded defined benefit plan liability	11,413,855
(Increase) decrease in due from state - deferred rent	20,279,342
(Increase) decrease in operating lease - right-of-use asset	(151,194,473)
(Increase) decrease due from state - leases	(2,956,901)
Increase (decrease) in accrued vacation and other leave benefits	613,073
Increase (decrease) in unfunded defined benefit plan liability	(11,413,855)
Increase (decrease) in deferred rent	(20,279,342)
Increase (decrease) in operating lease liability	154,151,374
Total	\$ -

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

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**
NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities 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 contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for individuals with developmental disabilities and their families. SCLARC serves five counties of Los Angeles Districts including Compton, San Antonio, South, 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.

Basis of Accounting The accompanying financial statements have been prepared on the accrual basis of accounting. SCLARC is reimbursed by the State for expenses incurred in operating SCLARC to the extent that the expenses are not covered by client support funds. Revenue is recognized when earned and expenses are recognized when the obligation is incurred. Reimbursement from the State are considered earned when a qualifying expense is incurred.

Financial Statement Presentation SCLARC's 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, SCLARC 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.

South Central Los Angeles Regional Center For Developmentally Disabled Persons, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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. 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 statement of activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized. As of June 30, 2023, SCLARC did not have donor restricted net assets.

Cash and Cash Equivalents For purposes of the statement of cash flows, SCLARC considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. In accordance with the State Regional Center contracts, bank accounts are in the name of both DDS and SCLARC.

Significant Concentrations of Credit Risk SCLARC 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 \$55,370,242. SCLARC has not experienced any loss and management believes it is not exposed to any significant credit risk on such accounts.

State Regional Center Contract Receivables and Advances Contracts receivable represent amounts due from the State for reimbursement of expenditures made by SCLARC under the annual Regional Center contracts. Advances represent cash advances received by SCLARC under the annual Regional Center contracts. Amounts receivable from the State are offset against advances payable when the State notifies SCLARC that a right of offset exists.

SCLARC considers all amounts receivable under grant contracts to be collectible; accordingly, no allowance for doubtful accounts exists.

Receivable - Intermediate Care Facility Providers During the year ended June 30, 2011, various legislative changes were made to the *California Welfare and Institutions Code* retroactively to July 1, 2007, making Intermediate Care Facility (ICF) providers responsible for providing consumer day treatment and transportation services, and ultimately, making such services eligible for reimbursement under California's Home and Community Based Services (HCBS) Program, which is funded by the Medicaid Waiver grant (Medicaid). Previously, such services were not reimbursable by Medicaid because the funds were not directly billed and received by the ICFs. The legislative changes allow for DDS to bill these services to Medicaid and capture federal dollars.

South Central Los Angeles Regional Center For Developmentally Disabled Persons, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Effective July 1, 2012, SCLARC began billing the ICFs directly for monthly consumer day treatment and transportation services. The State does not reimburse SCLARC for these costs and they are billed direct to and are collected from the ICFs. SCLARC receives a 1.5% administrative fee based on the funds received to cover the additional workload.

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

Leases SCLARC accounts for leases in accordance with FASB ASC 842. SCLARC is a lessee in noncancellable operating leases for office space and equipment. SCLARC 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. SCLARC determines if an arrangement conveys the right to use an identified asset and whether SCLARC obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. SCLARC recognizes a lease liability and right-of-use (ROU) asset at the commencement date of the lease.

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, SCLARC 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*. SCLARC has elected to use this rate for all classes of underlying assets.

Operating Lease – 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.

SCLARC 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 SCLARC is reasonably certain to exercise) for any class of underlying asset and instead recognize the lease payments in the statement of functional expenses.

South Central Los Angeles Regional Center For Developmentally Disabled Persons, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Property and Equipment In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. SCLARC 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 SCLARC and owned by the State at June 30, 2023, was \$678,081. This balance includes only the equipment that exceeds \$5,000 as required by System Award Management (SAM) guidelines.

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

Defined Benefit Pension Plan SCLARC is required to recognize the funded status of the California Public Employee's Retirement System (CalPERS) pension plan, measured as the difference between plan assets at fair value and the pension obligation, in the statement of financial position. 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.

Client Trust Fund Liability SCLARC assumes a fiduciary relationship with certain clients who cannot manage their own finances. Client support funds are received from private and governmental sources, including the Social Security Administration and Veterans Administration. These funds are used primarily to offset clients' out-of-home placement and living costs, thereby reducing the amount expended by SCLARC. These funds are held in a separate bank account and interest earnings are credited to the clients' balances.

Revenue Concentration State Regional Center contract revenue is revenue received from the State in accordance with the Lanterman Act. Ninety-nine percent of revenue is derived from this source.

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 significant portion of 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. Amounts received prior to incurring qualifying expenditures are recorded as an advance and included with the Advance – State Regional Center contracts on the statement of financial position. SCLARC received cost-reimbursable grants of \$161,830,056 that have not been recognized in revenue at June 30, 2023, because qualifying expenditures have not yet been incurred.

South Central Los Angeles Regional Center For Developmentally Disabled Persons, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Federal Grants SCLARC received one federal grant as of June 30, 2023, as follows:

U.S. Department of Education: SCLARC is a sub-recipient to State of California DDS with regard to the Special Education Grants for Infants and Families, 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 was \$2,610,095 for the year ended June 30, 2023, and is included in State Regional Center contracts revenue on the statement of activities.

Allocation of Expenses During the year, costs of providing programs and other activities 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. Employee benefits are allocated based on salaries.

Use of Estimates and Assumptions The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes SCLARC has received tax-exempt status under Section 501(c)(3) of the *Internal Revenue Code*, and Section 23701(d) of the *California Revenue and Taxation Code*, and has been classified as an Center that is not a private foundation under Section 509(a) of the *Internal Revenue Code*. Accordingly, no provision for income taxes is included in the financial statements.

SCLARC accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes and how an uncertain tax position is recognized in financial statements. SCLARC analyzes tax positions taken in previously filed returns and tax positions expected to be taken in future returns. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. SCLARC's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2023, and SCLARC does not expect this to change significantly over the next 12 months.

Change in Accounting Principle In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 superseded 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. SCLARC adopted 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): Target Improvements*. SCLARC did not restate prior period 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.

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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 Management has evaluated subsequent events through March 20, 2024, the date on which the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

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

June 30, 2023

Cash and cash equivalents	\$ 50,846,562
Receivable - State Regional Center contracts	167,402,979
Receivable - Intermediate Care Facility providers	1,211,604
Other receivables	1,251,305
Less: Advance - State Regional Center contracts	(161,830,056)
Total	\$ 58,882,394

According to SCLARC's contract with DDS, the State and the regional centers collaborate to build the budget for the regional center system using the best quality data and information available. This budget provides data to assist in building the Governor's January Budget and the May Revise.

South Central Los Angeles Regional Center For Developmentally Disabled Persons, Inc.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Additionally, each regional center submits a monthly purchase of service expenditure projection to DDS, beginning in December of each fiscal year. By February 1st of each year, DDS allocates, to all regional centers, approximately ninety-nine percent (99%) of the enacted budget for operations and purchase of service. To do this, it may be necessary to amend SCLARC's contract in order to allocate funds made available from budget augmentations to allocate funds among regional centers. In the event that DDS determines that a regional center has insufficient funds to meet its contractual obligations, DDS shall utilize proper legislative measures to secure additional funds and provide the regional center with regulatory and statutory relief.

SCLARC maintains a line of credit (Note 4) to manage cash flow requirements as needed to cover any delays in cash advances and reimbursements over the beginning of the fiscal year.

3. CASH - CLIENT TRUST FUNDS AND CLIENT TRUST FUND LIABILITY

SCLARC functions as the custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of SCLARC's 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 are reflected on the accompanying statements of activities.

The following is a summary of activity related to the client trust funds:

June 30, 2023

Client Trust Fund Liability - Beginning of the Year	\$ 2,496,675
Social Security and other client support received	16,631,408
Purchase of service disbursements	(18,029,469)
Change in AP/AR	2,917,485
Client Trust Fund - End of the Year	\$ 4,016,099

4. LINE OF CREDIT

SCLARC had a revolving \$50,000,000 line of credit with City National Bank, secured by SCLARC's assets. Interest on the outstanding balance was payable monthly at the greater of 2.25% or 1% below the bank's prime rate and amounted to \$0 for the year ended June 30, 2023. The line of credit expired on June 30, 2023. SCLARC extended the line of credit which is now set to expire in June 2024 with the same terms. The outstanding balance at June 30, 2023 was \$0.

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. FUNDING LIMITS

SCLARC's contract is funded by the State's General Fund and federal reimbursements. The contracts specify the level and nature of the services to be provided to developmentally disabled persons. 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 years as follows:

Years Ended June 30	Contract Amount	Cumulative Expenses	Unexpended Balance
2023	\$ 609,502,727	\$ 509,756,284	\$ 99,746,443
2022	\$ 578,482,818	\$ 451,466,624	\$ 127,016,194
2021	\$ 537,997,407	\$ 516,486,178	\$ 21,511,229

Management monitors the unexpended balance annually to avoid overspending the contract limits. Management believes that total expenditures for each open year will not exceed the final approved contract amount.

6. LEASE COMMITMENTS

SCLARC is obligated under various operating lease agreements for office equipment and office facilities. The terms of the office lease agreements provide for payment of minimum annual rental payments, with fixed increases.

SCLARC has obligations as a lessee for office space and office equipment with initial noncancellable terms in excess of one year. The office space leases have initial terms that range from 10 to 20 years with options to extend the lease terms for an additional 5 to 10 years, expiring in November 2039 and April 2049. Because SCLARC is reasonably certain to exercise these options to extend, the optional periods are included in determining the lease term, and associated payments under these renewal options are included in lease payments used to determine the lease liability balances. The office equipment leases have initial terms of 5 years with no options to extend, expiring in June 2024 and March 2025. SCLARC classifies these leases as operating leases.

Payments due under lease contracts include fixed payments and variable payments. Some of SCLARC's office space leases require variable payments of SCLARC'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 on July 1, 2022, SCLARC has elected not to separate nonlease components from lease components for all office space and office equipment leases.

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

June 30, 2023

Cash paid for amounts included in the measurements of lease liabilities:	
Operating cash flows for operating leases	\$ 6,147,860
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ -

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

Years Ending June 30

2024	\$ 6,308,354
2025	6,480,899
2026	6,672,713
2027	6,872,895
2028	7,079,081
Thereafter	201,226,085
Total Lease Payments	234,640,027
Less: Present value adjustment	80,488,653
Present Value of Lease Liabilities	\$ 154,151,374

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

June 30, 2023

Weighted average remaining lease term:	
Operating leases	25.58 years
Weighted average discount rate:	
Operating leases	3.12%

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.

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE BENEFIT PLAN

SCLARC contributes to 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 January 1, 2008. All employees hired prior to January 1, 2008, 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 January 1, 2008 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 6.75% 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 postretirement 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 is as follows:

Year Ended June 30, 2023

Service cost	\$	6,278,960
Interest cost		6,462,696
Expected (return) on plan assets		(6,306,966)
Amortization of prior service cost		13,496
Recognized net actuarial (gains) and losses		(884,784)
Periodic Benefit Cost - Net	\$	5,563,402

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Pension benefit changes other than net periodic benefit costs during the year ended June 30, 2023 is \$11,413,855.

June 30, 2023

Change in Benefit Obligation	
Benefit obligation - beginning of year	\$ 138,789,461
Service cost	6,278,960
Interest cost	6,462,696
Assumption change (gain) or loss	(13,879,320)
Plan amendment	191,373
Experience (gain) loss	1,208,034
Benefits and expenses paid	(3,749,093)
Benefit Obligation - End of Year	\$ 135,302,111
Change in Fair Value of Plan Assets	
Fair value of plan assets - beginning of year	\$ 91,647,674
Actual return on plan assets	5,722,854
Employer contributions	4,139,126
Employee contributions	1,813,618
Benefits and expenses paid	(3,749,093)
Fair Value of Plan Assets - End of Year	\$ 99,574,179
Unfunded Defined Benefit Plan Liability	\$ 35,727,932

The unrecognized net (gain) or loss is as follows:

June 30, 2023

Unrecognized Net (Gain) or Loss	
Beginning of year	\$ (27,853,654)
Experience (gain) loss	1,208,034
Asset (gain) loss	584,112
Amortization amount	884,784
Assumption change (gain) or loss	(13,879,320)
Unrecognized Net (Gain) or Loss - End of Year	\$ (39,056,044)

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The assumptions used in the measurement of the benefit obligations are as follows:

June 30, 2023

Discount rate (benefit expense)	5.24%
Discount rate (benefit obligation)	5.24%
Expected long-term return on plan assets	6.80%
Rate of compensation increase	4.00%

This discount rate was derived from the Above Median FTSE Pension Discount Curve as of the end of June 30, 2023, 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 4.67%. 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 Dataset Mortality Tables projected forward generationally using the MIP-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.

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.

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 \$99,574,179 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:

June 30, 2023

Beginning balances	\$	91,647,674
Actual return on plan assets		5,722,854
Total contributions		5,952,744
Benefits and expenses paid		(3,749,093)
End of Year	\$	99,574,179

The following benefit payments for the next ten years, which reflect expected future service, as appropriate, are expected to be paid at June 30, 2023 and for the years then ended:

Years Ending June 30

2024	\$	4,020,993
2025		4,284,177
2026		4,585,514
2027		5,079,028
2028		5,516,427
2028 - 2033 Aggregate		34,200,298
Total	\$	57,686,437

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**

**NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

8. OTHER PURCHASED SERVICES

Other purchased services consisted of the following:

June 30, 2023

Nonmedical services - professional	\$ 7,618,618
Nonmedical services - programs	82,360,665
Homecare services - professional	1,400,845
Prevention services	17,010,951
Other authorized services	92,874,336
Personal and incidental	285,668
Hospital care	1,022,500
Medical equipment	54,415
Medical care - professional	8,349,610
Medical care - program	45,351
Respite - in home	54,024,775
Respite - out of home	1,009,485
Camps	17,506
Prior period expenses	105,604
Total Other Purchased Services	\$ 266,180,329

9. LITIGATION CLAIMS AND CONTINGENCIES

Contingencies

SCLARC is dependent on continued funding provided by DDS to operate and provide services for its clients. SCLARC's contract with DDS provides funding for services under the Act. In the event that the operations of SCLARC result in a deficit position at the end of any contract year, DDS may reallocate surplus funds within the State of California system to supplement SCLARC's funding. Should a system-wide deficit occur, DDS is required to report to the governor of California and the appropriate fiscal committee of the State Legislature and recommend actions to secure additional funds or reduce expenditures. DDS's recommendations are subsequently reviewed by the governor and the Legislature and a decision is made with regard to specific actions.

In accordance with the terms of the DDS contract, an audit may be performed by an authorized state representative. Should such an audit disclose any unallowable costs, SCLARC may be liable to the State 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, 2023.

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Legal Proceedings

SCLARC 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 SCLARC's financial position or activities.

10. RELATED-PARTY TRANSACTIONS

California Welfare and Institutions Code, Section 4622, requires that a minimum of 50% of the Organization's governing board be comprised of persons with developmental disabilities or their parents or legal guardians. Program service payments were made on behalf of persons with developmental disabilities that were governing board members or were related to governing board members. Payments made on behalf of members of the board with developmental disabilities and the vendor member of the board's organization were \$607,380 for the year ended June 30, 2023.

11. AFFILIATES

Friends of South Central Los Angeles Regional Center for 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.

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 bonders 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 is also responsible for operating expense as defined in the agreement.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Contract Year	Assistance Listing Number	Pass-Through Grant Number	Disbursements/ Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through State of California				
Department of Developmental Services -				
Special Education - Grants for Infants and Families with Disabilities (Part C)	22/23	H181A220037	84.181A	\$ 2,610,095
Total U.S. Department of Education				2,610,095
Total Expenditures of Federal Awards				\$ 2,610,095

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of SCLARC 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 SCLARC, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of SCLARC.

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 allowed or are limited as to reimbursement. Part C expenditures are based on state contract budget allocations.

Indirect Cost Rate

SCLARC did not elect to use the 10% de minimis method for 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
South Central Los Angeles Regional Center for
Developmentally Disabled Persons, Inc.
Los Angeles, 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 South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. (SCLARC), 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 March 20, 2024.

Internal Control Over Financial Reporting

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

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

**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)

Compliance and Other Matters

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

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
March 20, 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
South Central Los Angeles Regional Center for
Developmentally Disabled Persons, Inc.
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc.'s (SCLARC), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on SCLARC's major federal programs for the year ended June 30, 2023. SCLARC'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 grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SCLARC'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 SCLARC'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 program. However, our audit does not provide a legal determination of SCLARC'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, SCLARC 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 SCLARC 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 SCLARC'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 the 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 SCLARC'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
March 20, 2024

FINDINGS AND QUESTIONED COSTS SECTION

**South Central Los Angeles Regional Center
For Developmentally Disabled Persons, Inc.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

**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

**South Central Los Angeles Regional Center
For The Developmentally Disabled Persons, Inc.**
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023

None