

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2019

VALLEY MOUNTAIN REGIONAL CENTER, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Mountain Regional Center, Inc. (the Center) (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

As discussed in Note 6, the Center is using an actuarial valuation provided by the California Public Employees' Retirement System (CalPERS), calculated in accordance with Governmental Accounting Standards Board 68, Accounting and Financial Reporting for Pensions, to estimate the Center's unfunded projected pension obligation and the related pension expense in the accompanying statement of financial position and statement of activities, respectively, that, in our opinion, does not conform to accounting principles generally accepted in the United States of America (GAAP) under the Financial Accounting Standards Board (FASB) standards. The amounts by which this departure affects the liabilities, net deficit, beginning net deficit, expenses, change in net deficit and footnote disclosures of the pension obligation of the Center have not been determined as it is not practicable to quantify.

Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Mountain Regional Center, Inc. as of June 30, 2019, 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.

Other Matters

Other 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 information 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 31, 2020, on our consideration of Valley Mountain Regional Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valley Mountain Regional Center, Inc.'s internal control over financial reporting and compliance.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Modesto, California
March 31, 2020

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

ASSETS

Cash and cash equivalents	\$ 11,705,651
Contracts receivable - State of California	5,805,803
Receivables from Intermediate Care Facility vendors	2,413,266
Due from state - accrued vacations and other employee benefits	1,987,372
Restricted cash	53,772
Deposits and other assets	80,966
Post retirement health care plan benefit	957,594

TOTAL ASSETS \$ 23,004,424

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 19,190,456
Accrued vacation and other employee benefits	2,582,216
Unfunded pension liability	14,885,700

TOTAL LIABILITIES 36,658,372

NET DEFICIT

Without donor restrictions	(13,707,720)
With donor restrictions	53,772

(13,653,948)

TOTAL LIABILITIES AND NET ASSETS \$ 23,004,424

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

NET ASSETS WITHOUT DONOR RESTRICTIONS

SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS

Contracts - State of California	\$ 227,270,370
Intermediate Care Facility supplemental services income	4,482,636
Interest income	49,963
Other income	213,932
	<hr/>
Total support and revenue	232,016,901

EXPENSES

Program services:	
Direct consumer services	223,126,745
Supporting services:	
General and administrative	8,959,037
	<hr/>
Total expenses	232,085,782

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE CHANGES OTHER THAN NET PERIODIC POST-RETIREMENT BENEFIT COST	(68,881)
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CHANGES OTHER THAN NET PERIODIC POST-RETIREMENT BENEFIT COST	<hr/> (1,349,250)
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CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,418,131)
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NET ASSETS WITH DONOR RESTRICTIONS

SUPPORT AND REVENUE WITH DONOR RESTRICTIONS

Contributions	<hr/> 40,686
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CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<hr/> 40,686
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CHANGE IN NET ASSETS	(1,377,445)
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NET DEFICIT AT BEGINNING OF YEAR	<hr/> (12,276,503)
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NET DEFICIT AT END OF YEAR	<hr/> <hr/> \$ (13,653,948)
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The accompanying notes are an integral part of these financial statements.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program services	Supporting services	
	Program	General and administrative	Total expenses
EXPENSES			
Salaries and wages	\$ 17,315,836	\$ 2,073,576	\$ 19,389,412
Employee health and retirement benefits	4,353,002	521,035	4,874,037
Payroll taxes	246,597	29,516	276,113
Staff travel	424,172	50,772	474,944
Total salaries and related expenses	<u>22,339,607</u>	<u>2,674,899</u>	<u>25,014,506</u>
Purchase of services:			
Residential services	63,504,216	-	63,504,216
Day program	39,818,382	-	39,818,382
Other purchased services	97,348,060	-	97,348,060
Communication	-	196,437	196,437
General office expenses	-	677,834	677,834
Data processing expenses	-	2,030,309	2,030,309
Printing	-	20,924	20,924
Insurance	-	69,825	69,825
General expenses	-	199,896	199,896
Facility and equipment rent	-	1,881,425	1,881,425
Equipment and facility maintenance	-	564,714	564,714
Consultant fees	116,480	184,879	301,359
ARCA dues	-	80,458	80,458
Equipment purchases	-	261,384	261,384
Board expenses	-	18,120	18,120
Legal fees	-	856	856
Professional fees	-	25,000	25,000
Interest expense	-	3,889	3,889
Travel and meals	-	68,188	68,188
TOTAL EXPENSES	<u><u>\$ 223,126,745</u></u>	<u><u>\$ 8,959,037</u></u>	<u><u>\$ 232,085,782</u></u>

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (1,377,445)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Contracts receivable	822,103
Receivable from Intermediate Care Facility vendors	(138,141)
Due from state - accrued vacation and other employee benefits	(143,484)
Deposits and other assets	26,924
Retirement health care plan benefit	255,469
Increase (decrease) in:	
Accounts payable	2,925,071
Accrued vacation and other employee benefits	370,368
Unfunded pension liability	740,726
Net cash provided by operating activities	<u>3,481,591</u>
NET CHANGE IN CASH	3,481,591
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,277,832</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 11,759,423</u>
Reconciliation of cash accounts	
Cash and cash equivalents	\$ 11,705,651
Restricted cash	<u>53,772</u>
	<u>\$ 11,759,423</u>
SUPPLEMENTAL DISCLOSURES	
Cash payments for interest	<u>\$ 3,889</u>

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies

Nature of Organization

Valley Mountain Regional Center, Inc. (the Center) was incorporated on December 13, 1973 as a California nonprofit corporation. The Center was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Act) of the Welfare and Institutions Code of the State of California. In accordance with the Act, the Center provides diagnostic evaluations, client program management, and lifelong planning services for persons with developmental disabilities and their families. The areas served include San Joaquin, Stanislaus, Amador, Calaveras and Tuolumne Counties.

The Act includes governance provisions regarding the composition of the Center's board of directors. The Act states that the board shall be comprised of individuals with demonstrated interest in, or knowledge of, developmental disabilities, and other relevant characteristics, and requires that a minimum of 50% of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25 % of the members of the governing board shall be persons with developmental disabilities. In addition, a member of a required advisory committee, composed of persons representing the various categories of providers from which the Center purchases client services, shall serve as a member of the regional center board. To comply with the Act, the Center's board of directors includes persons with developmental disabilities or their parents or legal guardians, who receive services from the Center and a client service provider of the Center.

The Center contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for the developmentally disabled and their families. Under the terms of these contracts, funded expenditures are not to exceed \$232,652,091 for the 2018-2019 contract year. As of June 30, 2019, actual net expenditures under the 2018-2019 contract were \$205,646,301.

As discussed above, the Center operates under contracts with the DDS. Contract revenue is funded on a cost reimbursement basis as expenses are paid. However, the accounting standards require the Center to recognize and accrue expenses when incurred. The net deficit reported as of June 30, 2019 on the statement of financial position is primarily the result of the accruals of the Center's post-retirement benefit plans. For retirement pension benefits and other post retirement health-care benefits, accounting standards require the Center to recognize a liability that equals the unfunded benefit obligations related to the plans or an asset when the fair market value of the plans assets are greater than the projected benefit obligation. Plan expenses under the post-retirement benefit plans are reimbursed under the DDS contract as the Center funds the plan. Although the Center expects that the plan costs will ultimately be funded over future years, plan funding will depend on continued funding by the DDS.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

Net Assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Revenue is recognized when earned. Program service fees, and payments under cost-reimbursable contracts are recorded in the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions that are promised but not received and are not expected to be collected within one year are discounted at an appropriate discount rate commensurate with the risks involved and the present value is booked as contribution income. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the statements of cash flows, the Center considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Contracts Receivable - State of California

Support and contracts receivable – state of California is recorded on the accrual method as related expenses are incurred.

Receivables from Intermediate Care Facility Vendors

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

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

Equipment

The State requires all sensitive and nonexpendable equipment to be tagged and reported annually. Sensitive equipment is defined as having a normal useful life of greater than one year, costing less than \$5,000 and being highly desirable or susceptible to theft. Sensitive equipment is charged to expenses when incurred. For the year ended June 30, 2019, sensitive equipment purchases totaled \$126,334. Nonexpendable equipment is defined as having a useful life of greater than one year and costing more than \$5,000. Pursuant to the terms of the DDS contract, nonexpendable equipment purchases become the property of the State and, accordingly, are charged as expenses when incurred. For the year ended June 30, 2019, nonexpendable equipment purchases totaled \$125,059.

Accrued Vacation and Sick Leave Benefits

The Center has accrued a liability and a receivable from the State for leave benefits earned. Such liability and related benefit expenses required to be recognized by the accounting standards are accrued expenses incurred in the performance of the DDS contracts. Such expenses are compensable costs incurred under the terms of the DDS contracts. A receivable has been recorded related to these benefits as the benefits have been earned currently and do not require additional service requirements to be paid.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Post-Retirement Health Care Plan

The Center is required to recognize the funded status of the post-retirement health-care benefit plan, measured as the difference between plan assets at fair value and the benefit obligation, in the statements of financial position, with an offsetting charge or credit to net assets. Gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net period benefit cost will be recognized each year as a separate charge or credit to net assets. Such liability and related benefit expenses required to be recognized by the accounting standards are accrued expenses incurred in the performance of the DDS contracts. Such expenses are compensable costs incurred under the terms of the DDS contracts. Such expenses will become billable and reimbursable under the terms of the DDS contracts when they are actually paid.

Obligation for Retirement Pension Benefits

The Center is required to recognize in the statements of financial position, the funded status of the California Public Employees Retirement System (CalPERS) pension plans, measured as the difference between plan assets at fair value and the pension benefit obligation with an offsetting charge or credit to net assets. Gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net period benefit cost will be recognized each year as a separate charge or credit to net assets. Such liability and related benefit expenses required to be recognized by the accounting standards are accrued expenses incurred in the performance of the DDS contracts. Such expenses will become billable and reimbursable under the terms of the DDS contracts when they are actually paid. As discussed further in Note 6, the Center used an actuarial valuation provided by the CalPERS that does not conform to GAAP under the Financial Accounting Standards Board (FASB) standards.

Allocation of Functional Expenses

The statement of functional expenses allocate expenses to the program and supporting service categories based on a direct-cost basis for purchase of services and salaries and related expenses. Operating expenses are allocated to supporting services, except for consultant fees, which are allocated on a direct-cost basis.

Tax Status

The Center has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code, respectively.

The Center is subject to potential income tax audits on open tax years by any taxing authority in the jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events and transactions that occurred after the balance sheet date up to March 31, 2020, the date that the financial statements were available to be issued. Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position, results of its operations and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2 - Contracts Receivable - State of California

The Center's major source of revenue is from the state of California. Each fiscal year, the Center enters into a new contract with the state for a specified funding amount subject to budget amendments. Revenue from the state is recognized monthly when a claim for reimbursement of actual expenses is filed with the state. These reimbursement claims are paid at the state's discretion either through direct payments to the Center or by applying the claims reimbursements against advances already made to the Center.

As of June 30, 2019, DDS had advanced the Center \$57,496,952 under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the claims receivable from DDS contracts.

Contracts receivable	63,302,755
Contract advances	<u>(57,496,952)</u>
Net Contracts Receivable	<u>\$ 5,805,803</u>

The Center renewed its contract with the DDS during the fiscal year ending June 30, 2020. The contract provides for a maximum funding of \$228,491,605.

NOTE 3 - Short-Term Borrowings

The Center had a revolving line of credit agreement with a bank which is available from November 31, 2018 and expires October 31, 2019, whereby it could borrow up to a maximum \$15,000,000. Borrowings are secured by substantially all assets of the Center with interest payable monthly at the bank's Prime Rate (rate 5.5% at June 30, 2019). There was no balance outstanding as of June 30, 2019.

NOTE 4 – Net Assets With Donor Restrictions

Net assets with donor restrictions were generated by donations designated to be used for the Awesome Spot Playground at Beyer Park, an inclusive playground to be built in Modesto, California, appropriately designed to allow children with disabilities the opportunity to be included in play spaces.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - Post-Retirement Health Care Plan

The Center sponsors a post-retirement health care plan through the California Public Employees' Retirement System (PERS) for its employees. The actuarial cost method used for determining the benefit obligations is the Projected Unit Benefit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current active employees and retirees. The Accumulated Post-Retirement Benefit Obligation (APBO) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The APBO equals the present value of projected benefits multiplied by a fraction equal to service to date over service at full eligibility age.

The Periodic Benefit Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement.

The actuarial assumptions are summarized below:

<i>Valuation Date</i>	June 30, 2019
<i>Discount Rate</i>	
Used to determine Net Periodic Benefit Cost	3.6%
Used to determine Benefit Obligations	4.2%
<i>Long-term Rate of Return on Plan Assets</i>	
Used to determine Net Periodic Benefit Cost	6.25%
Used to determine Benefit Obligations	6.25%
General inflation	2.75%
<i>Annual Benefit Increases</i>	Contributions toward medical premiums are assumed to increase 3.25% per year.
<i>Health Cost Trend</i>	
Health care cost trend rate assumed for next year	4.75%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	4.25%
Year that the rate reaches the ultimate trend rate	2072

The Center is required to recognize an expense each year equal to the Net Periodic Post-Retirement Benefit Cost. The unfunded accumulated benefit obligation for the plan upon its initial valuation was \$2,548,000, an amount which the Center elected to amortize over the average expected future service of its current employees (approximately 17 years).

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - Post-Retirement Health Care Plan (Continued)

The Center recognizes the post-retirement health care plan liability as the unfunded APBO in its financial statements. All previously unrecognized actuarial gains or losses are reflected in the statements of financial position. The plan items not yet recognized as a component of periodic plan expenses, but included as a separate charge to net assets, are:

Unrecognized net initial obligation	\$ 552,582
Unrecognized actuarial gain	<u>(820,657)</u>
	<u>\$ (268,075)</u>

The pension-related changes other than net periodic pension cost decreased net assets without donor restrictions by \$172,739 for the year ended June 30, 2019.

Net periodic post-retirement cost consists of the following components:

Service cost	\$ 239,407
Interest cost	242,842
Expected return on plan assets	(439,692)
Transition cost	153,494
Recognized net actuarial gain	<u>(30,310)</u>
Net periodic post-retirement benefit cost	<u>\$ 165,741</u>

The net periodic benefit cost expected to be charged to expense for the year ended June 30, 2020 is \$162,705.

The following table provides a reconciliation of the changes in the plan's benefit obligations and funded status:

Reconciliation of Benefit Obligation/Asset

Change in benefit obligation	
Obligation at beginning of year	\$ 5,837,293
Service cost	239,407
Interest cost	242,842
Assumption change gain	167,254
Experience (gain) loss	1,451
Benefits paid	<u>(113,569)</u>
Benefit obligation at end of year	<u>6,374,678</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - Post-Retirement Health Care Plan (Continued)

Change in plan assets	
Fair value of plan assets at beginning of year	7,050,356
Actual return on plan assets	312,474
Benefits paid	<u>(30,558)</u>
Fair value of plan assets at end of year	<u>7,332,272</u>
Funded status-net benefit	<u>957,594</u>
Net amount recognized in the statements of financial position	<u><u>\$ 957,594</u></u>

Plan Assets

The plan's assets are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to measurements involving significant unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. There have been no changes in the methodologies used for the year ended June 30, 2019.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2019:

Asset category	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 73,323	\$ 73,323	\$ -	\$ -
Mutual funds				
Equity	4,985,945	4,985,945	-	-
Fixed income	<u>2,273,004</u>	<u>2,273,004</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 7,332,272</u></u>	<u><u>\$ 7,332,272</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - Post-Retirement Health Care Plan (Continued)

The investment objective of the plan is to provide a rate of return commensurate with a moderate degree of risk of loss of principal and return volatility. A trustee administers the plan assets and investment responsibility for the assets is assigned to outside investment managers. The assets of the plan are periodically rebalanced to remain within the desired target allocations.

Variability of Estimated APBO

Actual future costs may vary significantly from the estimates used in calculating the APBO for a variety of reasons. Retiree medical costs are especially difficult to estimate due to the uncertainty of future medical costs.

Cash Flow Estimates for Future Benefit Payments

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

<u>For the Year Ending June 30,</u>	
2020	\$ 162,705
2021	186,410
2022	203,085
2023	211,978
2024	232,648
2025-2029	1,320,754

NOTE 6 - Retirement Plan

The Center contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. Substantially all of the Center's employees participate in CalPERS.

The Public Employee's Retirement Law (Part 3 of the California *Government Code* sec. 20000, et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811 and at www.calpers.ca.gov.

The provisions of FASB ASC 715-30, *Retirement Benefits, Defined Benefit Plans*-Pension require the Center to recognize in its statement of financial position a liability that equals the unfunded projected pension obligation related to its participation in the CalPERS pension plan measured as of the current fiscal year end. For the year ended June 30, 2019 the Center estimated and recorded an unfunded projected pension obligation of \$14,885,700 using an actuarial valuation provided by CalPERS with a valuation date of June 30, 2018. In addition, the valuation was prepared in accordance with Governmental Accounting Standards Board (GASB) 68, *Accounting and Financial Reporting for Pensions*, and does not conform to GAAP under the FASB standards.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - Retirement Plan (Continued)

The impact on liabilities, net assets, beginning net assets, expenses, change in net assets, and footnote disclosures of the pension obligation for the year ended June 30, 2019 has not been determined. The following footnote disclosures present amounts from the GASB 68 report as of a valuation date of June 30, 2018 and do not conform to requirements of FASB ASC 715.

CalPERS uses the Entry Age Normal Cost Method to fund benefits. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost. The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years.

The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants. 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.

Assumptions

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.

A summary of principal actuarial assumptions used, provided in the Annual Valuation Report prepared by the CalPERS Actuarial Office, is as follows:

Valuation Date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Asset valuation method	Market value of assets
Actuarial assumptions	
Discount rate	7.00% (net of expenses)
Salary increases	Varies by category, entry age and duration of service
Payroll growth	2.750%
Inflation	2.500%

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - Retirement Plan (Continued)

Funding Progress

The Schedule of Funding Progress below, provided by the CalPERS Actuarial Office, shows the recent history of the actuarial accrued liability, the market value of assets, the funded ratio and the annual covered payroll.

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Market Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>
6/30/2014	\$ 57,742,574	\$ 53,308,443	\$ 4,434,131	92.3%	\$ 11,559,134
6/30/2015	\$ 61,576,364	\$ 55,675,521	\$ 5,900,843	90.4%	\$ 12,158,358
6/30/2016	\$ 68,123,000	\$ 56,860,517	\$ 11,262,483	83.5%	\$ 13,401,286
6/30/2017	\$ 79,651,954	\$ 65,506,980	\$ 14,144,974	82.2%	\$ 16,848,845
6/30/2018	\$ 87,264,022	\$ 72,378,322	\$ 14,885,700	82.9%	\$ 17,441,207

Asset Category

The asset allocation shown below, provided by the CalPERS Actuarial Office, reflects the CalPERS fund in total as of June 30, 2018. CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. CalPERS recognizes that strategic asset allocation is the dominant determinant of portfolio risk and return. The assets of the Center's plan are part of the PERF and are invested accordingly.

The asset allocation shown below reflects the values of the Public Employee's Retirement Fund (PERF) in its entirety as of June 30, 2018.

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Target Allocation</u>
Public Equity	48.8%	49.0%
Private Equity	7.7%	8.0%
Global Fixed Income	22.5%	22.0%
Liquidity	3.4%	3.0%
Real Assets	10.8%	12.0%
Inflation Sensitive Assets	5.9%	6.0%
Other	0.9%	0.0%
	<u>100%</u>	<u>100%</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - Retirement Plan (Continued)

The following table provides a reconciliation of the changes in the plan's funded status:

Reconciliation of Benefit Obligation

Benefit obligation at June 30, 2018	\$ 87,264,022
Change in plan assets	
Fair value of plan assets at June 30, 2017	65,506,980
Change in receivables for service buybacks	(8,299)
Employer contributions	2,724,802
Employee contributions	1,167,785
Benefits paid	(2,443,269)
Refunds	(52,715)
Transfers and miscellaneous adjustments	(165)
Service Credit Purchase (SCP) Payments and Interest	9,376
Net investment return	5,473,826
Fair value of plan assets at June 30, 2018	<u>72,378,321</u>
Plan net pension liability, June 30, 2018	<u>\$ 14,885,701</u>

Contributions

Employee contributions are approximately 7% of salaries and wages. The Center is required to contribute the remaining amount necessary to fund benefits for its employees, using the actuarial basis adopted by the CalPERS Board of Administration.

The net periodic benefit cost charged to expense for the year ended June 30, 2019 \$1,275,436.

The net periodic benefit cost expected to be charged to expense for the year ended June 30, 2020 is \$1,306,294.

NOTE 7 - Credit Risk, Commitments and Contingencies

Credit Risks

At June 30, 2019 and at various times during the year, the Center maintained cash balances in its financial institutions in excess of federally insured limits. As of June 30, 2019, the uninsured portion of the cash balance was \$11,881,234.

Commitments

The Center is obligated under certain operating leases for office equipment, field and main office facilities. The lease terms expire in various years through February 2021. The terms of the leases provide for payment of minimum annual rentals, insurance, and property taxes. In the event the DDS does not renew its annual support contract, the leases described above become cancelable by the Center.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - Credit Risk, Commitments and Contingencies (continued)

Future minimum rental commitments for facilities are as follows:

For the Year Ending June 30,	
2020	\$ 1,841,287
2021	1,476,558
2022	1,089,095
2023	482,989
2024	181,753
Thereafter	<u>1,753,275</u>
	<u>\$ 6,824,957</u>

Total office equipment and facilities rental expense for the year ended June 30, 2019 was \$1,842,674.

Contingencies

In accordance with the terms of the contract with DDS, an audit may be performed by an authorized DDS representative. Should such audit disclose any unallowable costs, the Center may be liable to DDS for reimbursement of such costs. In the opinion of the Center's management, the effect of any disallowed costs would be immaterial to the financial statements at June 30, 2019, and for the year then ended.

The Center is dependent on continued funding provided by DDS to operate and provide services for its clients. The Center's contract with DDS provides funding for services under the Lanterman Act. In the event that the operations of the Center result in a deficit position at the end of any contract year, DDS may reallocate surplus funds within the State of California system to supplement the Center's funding. In the event that the state determines that the Center has insufficient funds to meet its contractual obligations, the state shall make its best efforts to secure additional funding and/or provide the Center with regulatory relief.

The Center retains approximately 80.17% of its labor force through Social Services Union Local 1021, Service Employees International Union. This labor force is subject to a collective bargaining agreement and, as such, renegotiation of such agreement could expose the Center to an increase in hourly costs and work stoppages. The agreement was renewed on November 1, 2018 and covers the period through November 1, 2021.

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – Liquidity and Availability of Financial Assets

The Organization’s goal is generally to maintain financial assets to meet 30 days of operating expenses (approximately \$19,300,000). As part of its liquidity plan, excess cash is invested in short term investments, including money market and savings accounts.

Financial assets available for general expenditure within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 11,705,651
Contracts receivable - State of California	5,805,803
Receivables from Intermediate Care Facility vendors	<u>2,413,266</u>
	<u>\$ 19,924,720</u>

NOTE 9 – Related Party

The Organization purchases services from a company that is owned by a member of the Organization’s board of directors. These services were obtained through a competitive award process and, in the opinion of management the services obtained are favorable to the Organization. During the fiscal year ended June 30, 2019, the Organization paid the vendor \$1,739,642 for these services.

NOTE 10 – Change in Accounting Principle

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

SUPPLEMENTARY INFORMATION

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
U.S. Department of Education			
Passed through State of California			
Department of Developmental Services			
Special Education - Grants for Infants and Families	84.181	H181A180037	\$ 2,672,694
U.S. Corporation for National and Community Service			
Passed through State of California			
Department of Developmental Services			
Foster Grandparents/Senior Companion Cluster			
Foster Grandparent Program	94.011	16SFPCA002	<u>170,805</u>
Total Federal Awards			<u><u>\$ 2,843,499</u></u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Valley Mountain Regional Center, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Valley Mountain Regional Center, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Valley Mountain Regional Center, Inc.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting and based on state contract budget allocations. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – Indirect Cost Rate

Valley Mountain Regional Center, Inc. has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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
Valley Mountain Regional Center, Inc.
Modesto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Valley Mountain Regional Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 31, 2020, in which we expressed a qualified opinion.

Basis for Qualified Opinion

The Center is using an actuarial valuation provided by the California Public Employees' Retirement System (CalPERS) to estimate the Center's unfunded projected pension obligation and the related pension expense in the accompanying statement of financial position and statement of activities, respectively, that, in our opinion, does not conform to accounting principles generally accepted in the United States of America (GAAP) under the Financial Accounting Standards Board (FASB) standards. The amounts by which this departure affects the liabilities, net deficit, beginning net deficit, expenses, change in net deficit and footnote disclosures of the pension obligation of the Center have not been determined as it is not practicable to quantify.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valley Mountain Regional Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valley Mountain Regional Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Modesto, California
March 31, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Valley Mountain Regional Center, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Valley Mountain Regional Center, Inc.'s major federal programs for the year ended June 30, 2019. Valley Mountain Regional Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Valley Mountain Regional Center, Inc.'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 Valley Mountain Regional Center, Inc.'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 each major federal program. However, our audit does not provide a legal determination of Valley Mountain Regional Center, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Valley Mountain Regional Center, Inc. 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, 2019.

Report on Internal Control Over Compliance

Management of Valley Mountain Regional Center, Inc. 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 Valley Mountain Regional Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Valley Mountain Regional Center, Inc.'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.

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.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Modesto, California
March 31, 2020

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Summary of Audit Results

Financial Statements

Type of auditor's report:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Identification of major programs:	
CFDA #84.181 Special Education - Grants for Infants and Families	
Dollar threshold used to distinguish between Type A and Type B programs was	\$750,000
Auditee qualified as low-risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENTS AUDIT None

**FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL AWARD PROGRAMS AUDIT** None

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

CURRENT YEAR:

I. Financial Statement Audit

None

II. Major Federal Awards Program Audit

None

STATUS OF PRIOR YEAR:

I. Financial Statement Audit

None

II. Major Federal Awards Program Audit

None