

VALLEY MOUNTAIN REGIONAL CENTER, INC.

FINANCIAL STATEMENTS

June 30, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Valley Mountain Regional Center, Inc. (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Mountain Regional Center, Inc. as of June 30, 2024 and 2023, and the changes in its net assets (deficit) 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Valley Mountain Regional Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center'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 the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 8, 2025 on our consideration of the Center'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 for the years ended June 30, 2024 and 2023. The purpose of these reports are solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
October 8, 2025

VALLEY MOUNTAIN REGIONAL CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 43,019,399	\$ 14,445,990
Contract receivable – state of California	-	17,391,394
Receivables from Intermediate Care Facility vendors	3,128,035	3,032,397
Due from state – accrued vacation	3,962,374	3,452,240
Deposits and other assets	2,212,824	1,616,816
Operating lease right-of-use assets	10,678,740	9,294,750
Post-retirement health care plan benefit	3,641,334	1,802,173
TOTAL ASSETS	\$ 66,642,706	\$ 51,035,760

LIABILITIES AND NET ASSET (DEFICIT)

LIABILITIES		
Accounts payable	\$ 40,584,202	\$ 36,465,273
Contract advance – state of California	7,799,154	-
Due to state	1,993,906	1,806,519
Accrued vacation and other employee benefits	5,530,072	4,790,165
Operating lease liabilities	10,962,676	9,627,966
Retirement health care plan obligation	42,724,098	49,357,893
	109,594,108	102,047,816
 COMMITMENTS AND CONTINGENCIES (Note 8)		
 NET ASSET (DEFICIT)		
Without donor restrictions	(43,228,330)	(51,803,868)
With donor restrictions	276,928	791,812
	(42,951,402)	(51,012,056)
TOTAL LIABILITIES AND NET ASSET (DEFICIT)	\$ 66,642,706	\$ 51,035,760

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

STATEMENTS OF ACTIVITIES

	For the Year Ended June 30,	
	2024	2023
SUPPORT AND REVENUE		
Contracts – state of California	\$ 452,881,821	\$ 367,015,753
Intermediate Care Facility supplemental services income	3,739,355	3,224,866
Other income	166,345	126,130
Total Support and Revenue Without Donor Restrictions	456,787,521	370,366,749
Net assets released from restrictions	699,036	241,979
Total Support and Revenue	457,486,557	370,608,728
EXPENSES		
Program Services:		
Direct consumer services	443,618,477	360,933,457
Supporting Services:		
General and administrative	14,799,746	11,788,361
Total Expenses	458,418,223	372,721,818
INCREASE IN NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	(931,666)	(2,113,090)
CHANGE IN NET ASSETS (DEFICIT) WITH DONOR RESTRICTIONS		
Contributions	184,152	563,958
Net assets released from restrictions	(699,036)	(241,979)
INCREASE IN NET ASSETS (DEFICIT) WITH DONOR RESTRICTIONS	(514,884)	321,979
CHANGE IN NET ASSETS (DEFICIT) BEFORE PENSION RELATED CHANGES OTHER THAN NET PERIODIC POST-RETIREMENT BENEFIT COST	(1,446,550)	(1,791,111)
Pension-related changes other than net periodic post-retirement benefit costs	9,507,204	16,016,514
CHANGE IN NET ASSETS (DEFICIT)	8,060,654	14,225,403
NET DEFICIT AT BEGINNING OF YEAR (As Restated)	(51,012,056)	(65,237,459)
NET DEFICIT AT END OF YEAR	\$ (42,951,402)	\$ (51,012,056)

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, 2024

	Program Services	Supporting Services	
	Direct Consumer Services	General and Administrative	Total Expenses
Salaries	\$ 31,466,688	\$ 4,757,008	\$ 36,223,696
Payroll taxes and employee benefits	7,689,595	1,162,482	8,852,077
	<u>39,156,283</u>	<u>5,919,490</u>	<u>45,075,773</u>
Purchase of services:			
Residential services	136,511,268	-	136,511,268
Day program	59,281,462	-	59,281,462
Other purchased services	207,640,503	-	207,640,503
Communication	-	238,081	238,081
Information technology	-	2,700,346	2,700,346
Printing	-	46,825	46,825
Insurance	-	203,795	203,795
General office expenses	89,886	1,238,665	1,328,551
Facility and equipment rent	-	2,650,894	2,650,894
Equipment and facility maintenance	-	1,024,653	1,024,653
Consultant fees	545,130	497,820	1,042,950
ARCA dues	-	113,803	113,803
Board expenses	-	10,870	10,870
Legal and professional fees	-	48,875	48,875
Staff travel	393,945	105,629	499,574
	<u>393,945</u>	<u>105,629</u>	<u>499,574</u>
TOTAL EXPENSES	<u>\$ 443,618,477</u>	<u>\$ 14,799,746</u>	<u>\$ 458,418,223</u>

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, 2023

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Direct Consumer Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries	\$ 27,798,074	\$ 3,330,464	\$ 31,128,538
Payroll taxes and employee benefits	9,531,453	1,141,955	10,673,408
	<u>37,329,527</u>	<u>4,472,419</u>	<u>41,801,946</u>
Purchase of services:			
Residential services	120,448,172	-	120,448,172
Day program	48,611,681	-	48,611,681
Other purchased services	153,677,009	-	153,677,009
Communication	-	74,694	74,694
Information technology	-	2,186,163	2,186,163
Printing	-	15,032	15,032
Insurance	-	220,881	220,881
General office expenses	43,440	891,321	934,761
Facility and equipment rent	-	2,399,496	2,399,496
Equipment and facility maintenance	-	815,389	815,389
Consultant fees	602,856	354,883	957,739
ARCA dues	-	127,633	127,633
Board expenses	-	17,749	17,749
Legal and professional fees	-	51,061	51,061
Staff travel	220,772	161,640	382,412
	<u>220,772</u>	<u>161,640</u>	<u>382,412</u>
TOTAL EXPENSES	<u>\$ 360,933,457</u>	<u>\$ 11,788,361</u>	<u>\$ 372,721,818</u>

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

STATEMENTS OF CASH FLOWS

	For the Year Ended	
	June 30,	
	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ 8,060,654	\$ (39,450,095)
Changes in operating assets and liabilities:		
Contract receivable – state of California	17,391,394	(17,391,394)
Receivables from Intermediate Care Facility vendors	(95,638)	(360,103)
Due from state – accrued vacation	(510,134)	(75,011)
Deposits and other assets	(596,008)	(651,466)
Operating lease right-of-use assets	1,896,471	1,681,347
Post-retirement health care plan benefit	(1,839,161)	(1,277,387)
Accounts payable	4,118,929	9,023,960
Contract advance – state of California	7,799,154	(4,378,433)
Due to state	187,387	312,409
Accrued vacation and other employee benefits	739,907	1,407,803
Operating lease liabilities	(1,945,751)	(1,859,391)
Retirement health care plan obligation	(6,633,795)	41,254,774
Net Cash Provided By (Used In) Operating Activities	<u>28,573,409</u>	<u>(11,762,987)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	28,573,409	(11,762,987)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>14,445,990</u>	<u>26,208,977</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 43,019,399</u>	<u>\$ 14,445,990</u>

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

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 – Summary of Significant Accounting Policies

Basis of Presentation

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 Center service area 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.

State of California Contract

The Center contracts with the California Department of Developmental Services (DDS) to operate a regional center for individuals with developmental disabilities and their families. The Center's contracts with DDS for the fiscal years ended June 30, 2024 and 2023 totaled \$475,305,210 and \$392,100,667, respectively, and are subject to budget amendments. Amounts received from the DDS contract are recognized as revenue when the Center has incurred qualifying expenditures per the DDS contract. Amounts received prior to incurring qualifying expenditures are recorded as contract advances and netted with contract receivable – state of California on the statements of financial. As of June 30, 2024 and 2023, actual net expenditures were approximately \$444,140,000 and \$361,100,000, respectively. The remaining amounts on the contracts for the fiscal years ended June 30, 2024 and 2023 where the Center can be reimbursed for qualifying expenditures are approximately \$29,160,000 and \$31,040,000, respectively, subject to any future budget amendments.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued)

State of California Contract (Continued)

As discussed above, the Center operates under contracts with DDS and is only funded on a cost reimbursement basis as expenses are paid. However, generally accepted accounting principles in the United States of America (U.S. GAAP) require the Center to recognize and accrue expenses when incurred. The Center's without donor restrictions net deficit amounts as of June 30, 2024 and 2023 on the statements of financial position are primarily the result of the accruals of pension and post-retirement plan obligations and uncollectible ICF-SPA receivables.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, revenue is recognized when earned and expenses are recognized when obligations are incurred. Reimbursements from DDS are considered earned when a qualifying expense is incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Principal areas requiring the use of estimates are assumptions utilized for the pension plan benefit and post-retirement benefit obligations and the functional allocation of expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Financial Statement Presentation

The Center is required to report information regarding its financial position and activities according to two classes of net assets, without donor restrictions and with donor restrictions, based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

With Donor Restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Center reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2024 and 2023, the Center had no permanently restricted net assets.

Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the statements of cash flows, the Center considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. At June 30, 2024 and 2023, and at various times during the year, the Center has maintained cash balances in a bank in excess of federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contract Receivable and Advance - State of California

The Center's contract receivable is reported net of advances received. The contract receivable and contract support are recorded on the accrual method as related expenses are incurred. Management believes all amounts are collectible as of June 30, 2024 and 2023, and, therefore, the Center has not established an allowance for credit losses against the contract receivable.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Due to State

Amounts recognized as due to state results from contract funding received in excess of eligible reimbursable expenditures and contract advance funding from DDS. To the extent there are excess funds, the Center recognizes the excess amounts as due to state on the statements of financial position.

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 ICF services; however, the federal rules allow for only one provider of ICF services. Accordingly, all the Medicaid funding for 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.

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 its 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.

For the year ended June 30, 2024 and 2023, the Center did not note any ICF receivable balances that were potentially deemed uncollectible. For the year ended June 30, 2022, the Center noted \$3,268,012 of ICF receivable that were potentially deemed uncollectible due to the amounts being associated with contract periods already closed by DDS. The Center is currently reviewing its appeal process to collect the receivable balances from DDS and reclassified it those amounts contracts receivable-state of California. The Center has also recognized an allowance for credit losses of \$3,268,012 against the reclassified receivable from DDS.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued)

State Equipment

In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State of California (the State). The Center 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. State equipment purchases for the years ended June 30, 2024 and 2023 totaled approximately \$123,000 and \$66,000, respectively.

Accrued Vacation and Other Leave Benefits

The Center has accrued a liability and a receivable from the State for accrued vacation and other leave benefits earned. These expenses are compensable costs per the terms of the DDS contract and will become billable and reimbursable under the terms of the DDS contract when they are actually paid to employees.

Leasing Arrangements

The Center determines if an arrangement contains a lease at inception based on whether the Center has the right to control the asset during the contract period and other facts and circumstances.

The Center's policy for determining its lease discount rate used for measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Center has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Center has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statements of activities in the period in which the obligation for the payments is incurred.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and nature of any donor-imposed restrictions.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

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

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. When a donor's stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Permanently restricted contributions have restrictions stipulated by the donor that the corpus be invested in perpetuity and only the income be made available for operations.

Retirement Pension Benefits Obligation

The Center is required to recognize 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 benefits obligation, in the statements of financial position, with an offsetting charge or credit to net assets (deficit). The Center has accrued a liability for the CalPERS pension. The Center has not recorded a receivable from the State for pension benefits obligation as such benefits are reimbursed under the State contract only when actually paid. The Center will record a receivable from the State contract at the time of payment.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Post-Retirement Healthcare Plan

The Center is required to recognize the funded status of the post-retirement health care 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 (deficit). The Center has accrued a liability for the post-retirement health care plan. Gains or losses and prior service costs will be recognized each year as a separate charge or credit to net assets (deficit). Such expenses are compensable costs incurred under the terms of the DDS contract and will become billable and reimbursable only when paid.

Allocation of Functional Expenses

The statements of functional expenses allocate expenses to the Center's 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 general office expenses and 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. Tax-exempt status is generally granted to nonprofit entities organized for charitable or mutual benefit purposes.

The Center recognizes the financial statement benefit of tax positions, such as a filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Center is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 – Financial Assets and Liquidity Resources

Subsequent Events

The Center’s management has evaluated subsequent events from the statements of financial position date through October 8, 2025, the date the financial statements were available to be issued for the years ended June 30, 2024 and 2023.

Financial assets and liquidity resources available within one year of the statements of financial position for general expenditure, such as operating expenses, were as follows:

	June 30,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 43,019,399	\$ 14,445,990
Contract receivable – state of California	-	17,391,394
Receivables from Intermediate Care Facility vendors	3,128,035	3,032,397
	46,147,434	34,869,781
Less financial assets not available for general expenditures:		
Restricted by donor with purpose	(276,928)	(791,812)
Total financial assets available to meet general expenditures within one year	\$ 45,870,506	\$ 34,077,969

According to the Center's contract with DDS, the State and the regional centers have agreed to work together 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 Revised Budget.

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, no less than one hundred percent (100%) of the enacted budget for operations and ninety-nine percent (99%) of the enacted budget for purchase of service. To do this, it may be necessary to amend the Center’s contract in order to allocate funds made available from budget augmentations and to move funds among regional centers. In the event that DDS determines that a regional center has insufficient funds to meet its contractual obligations, DDS shall make its best efforts to secure additional funds and/or provide each regional center with regulatory and statutory relief.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2 – Financial Assets and Liquidity Resources (Continued)

The Center regularly monitors its liquidity that is required to meet its operating needs and contractual commitments. The Center’s sources of liquidity at its disposal include cash and cash equivalents, contract receivable – state of California and receivables from ICF SPA vendors. The Center’s major liquidity resources are from the State in the form of reimbursement of qualified expenses. The Center operates a budget that is allocated and reimbursed by DDS annually to cover general expenditures.

For purposes of analyzing resources required to meet operating expenses over a 12-month period, the Center considers all expenditures and the pattern of all income related to its ongoing activities. The Finance Committee of the Board of Directors (the Board) meets regularly to review all financial aspects of the Center.

The Center maintains a line of credit (see Note 5) to manage cash flow requirements during the months of May through October as needed to cover any delays in cash advances and reimbursements over the beginning of the fiscal year.

NOTE 3 – Contract Receivable and Advance – State of California

The Center’s major source of revenue is from the State. 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, 2024 and 2023, DDS had advanced the Center \$113,638,838 and \$94,108,015, respectively, 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 the DDS contracts as follows:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Contract receivable - state of California	\$ 105,839,684	\$ 111,499,409
Less: Contracts advance - state of California	<u>(113,638,838)</u>	<u>(94,108,015)</u>
Net contract receivable (advance)	<u>\$ (7,799,154)</u>	<u>\$ 17,391,394</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 3 – Contract Receivable and Advance – State of California (Continued)

The Center has renewed its contracts for the following fiscal years:

Fiscal Year Ending	Initial Funding and Amendments, if Any
June 30, 2025	\$ 572,310,535
June 30, 2026	\$ 601,855,197

NOTE 4 – Lease Arrangements

The Center has entered into various leases for office facilities. The lease terms expire at various dates through 2033. Certain leases contain provisions for renewal options and for increasing rent due to increased expenses, taxes, and cost of living. Only lease options that the Center believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. In addition, the Center is required to pay for insurance on certain premises.

While all of the agreements provide for minimum lease payments, some include payments adjusted for inflation or for variable payments based on a percentage of sales over contractual levels. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the statements of financial position which include amounts for operating leases as follows:

	June 30,	
	2024	2023
Operating lease right-of-use assets	\$ 10,678,740	\$ 9,294,750
Operating lease liabilities	\$ 10,962,676	\$ 9,627,966

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 – Lease Arrangements (Continued)

The components of operating lease expenses that are included in facility and equipment rent on the statements of functional expenses are as follows:

	For the Year Ended June 30,	
	2024	2023
Operating lease costs	\$ 1,817,142	\$ 1,817,142

The following summarizes the supplemental cash flow information related to leases:

	For the Year Ended June 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,945,751	\$ 1,859,391
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 3,280,461	\$ -

The weighted-average remaining lease terms and discount rates for operating leases are as follows:

	June 30,	
	2024	2023
Weighted-average remaining lease term	7.60 years	7.29 years
Weighted-average discount rate	2.40%	1.33%

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 4 – Lease Arrangements (Continued)

The maturities of operating lease liabilities as of June 30, 2024 are as follows:

<u>Year Ending June 30,</u>		
2025	\$	1,686,430
2026		1,487,073
2027		1,529,382
2028		1,547,167
2029		1,565,518
Thereafter		<u>4,333,727</u>
Total minimum lease payments		12,149,297
Less amount representing interest		<u>(1,186,621)</u>
Present value of minimum lease payments	\$	<u>10,962,676</u>

The maturities of operating lease liabilities as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>		
2024	\$	1,997,840
2025		1,312,945
2026		1,100,516
2027		1,129,295
2028		1,133,077
Thereafter		<u>3,476,984</u>
Total minimum lease payments		10,150,657
Less amount representing interest		<u>(522,691)</u>
Present value of minimum lease payments	\$	<u>9,627,966</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 5 – Line of Credit

The Center has a revolving line of credit agreement with a bank whereby it could borrow up to \$15,000,000. Borrowings are secured by substantially all assets of the Center with interest payable monthly at the bank’s prime rate (8.50% and 8.25% at June 30, 2024 and 2023, respectively) The agreement matured on November 30, 2024 and has been renewed annually subsequently and matures November 2025. There were no balances outstanding as of June 30, 2024 and 2023.

NOTE 6 – 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:

Economic Assumptions

	June 30,	
	2024	2023
<i>Discount Rate</i>		
Used to determine Net Periodic Benefit Cost	5.50%	5.20%
<i>Long-term Rate of Return on Plan Assets</i>		
Used to determine Net Periodic Benefit Cost	6.50%	6.50%
Used to determine Benefit Obligations	5.50%	5.20%
<i>Health Cost Trend</i>		
Health care cost trend rate assumed for next year	2.70%	0.50%
<i>Number of Participants</i>		
Active Participants	479	375
Retired Participants	53	53

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 – Post-Retirement Health Care Plan (Continued)

Economic Assumptions (Continued)

The Center is required to recognize an expense each year equal to the Net Periodic Post-Retirement Benefit Cost. 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 unamortized actuarial losses of \$1,944,710 and \$1,489,669 as of June 30, 2024 and 2023, respectively. These unamortized actuarial losses are included as prepaid expenses on the statements of financial position.

Reconciliation of Benefit Obligation

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

	June 30,	
	2024	2023
Change in benefit obligation		
Obligation at beginning of year	\$ 6,352,647	\$ 7,033,255
Service cost	399,838	345,147
Interest cost	317,710	297,729
Assumption change gain	(1,362,610)	(627,777)
Experience gain	(139,214)	(563,506)
Benefits paid	(205,161)	(132,201)
	<u> </u>	<u> </u>
Benefit obligation at end of year	\$ 5,363,210	\$ 6,352,647

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 – Post-Retirement Health Care Plan (Continued)

Reconciliation of Benefit Obligation (Continued)

The following table provides a reconciliation of the changes in the plan’s assets:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 8,154,820	\$ 7,558,041
Actual return on plan assets	1,054,885	728,980
Benefits paid	<u>(205,161)</u>	<u>(132,201)</u>
Fair value of plan assets at end of year	<u>9,004,544</u>	<u>8,154,820</u>
Net amount recognized in the statements of financial position	<u>\$ 3,641,334</u>	<u>\$ 1,802,173</u>

Net periodic post-retirement benefit costs consist of the following components:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Assumption gain	\$ (139,214)	\$ (563,506)
Change in assumption	(1,274,008)	(627,777)
Amortization of prior-period costs	-	(56,382)
Loss on assets	<u>(531,488)</u>	<u>(242,004)</u>
Net periodic post-retirement benefit cost	<u>\$ (1,944,710)</u>	<u>\$ (1,489,669)</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 6 – Post-Retirement Health Care Plan (Continued)

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.

The following table sets forth by level, within the fair value hierarchy, the plan’s assets at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 987,661	\$ -	\$ -	\$ 987,661
Equities	5,205,636	-	-	5,205,636
Fixed income	2,811,247	-	-	2,811,247
	\$ 9,004,544	\$ -	\$ -	\$ 9,004,544

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 – Post-Retirement Health Care Plan (Continued)

Plan Assets (Continued)

The following table sets forth by level, within the fair value hierarchy, the plan’s assets at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 162,251	\$ -	\$ -	\$ 162,251
Equities	5,243,946	-	-	5,243,946
Fixed income	<u>2,748,623</u>	<u>-</u>	<u>-</u>	<u>2,748,623</u>
	<u>\$ 8,154,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,154,820</u>

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 Center’s 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.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 – Post-Retirement Health Care Plan (Continued)

Cash Flow Estimates for Future Benefit Payments

The following estimated benefit payments are expected to be paid on a fiscal year basis as of June 30, 2024:

<u>Year Ending June 30,</u>		
2025	\$	235,261
2026		251,836
2027		248,917
2028		256,814
2029		275,477
2030-2034		<u>1,816,320</u>
	\$	<u>3,084,625</u>

The following estimated benefit payments are expected to be paid on a fiscal year basis as of June 30, 2023:

<u>Year Ending June 30,</u>		
2024	\$	240,720
2025		258,158
2026		274,603
2027		275,890
2028		287,223
2029-2033		<u>1,843,670</u>
	\$	<u>3,180,264</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 7 – Pension Plan

The Center has a defined benefit pension plan covering all employees through the California Public Employees’ Retirement System (“CalPERS”). All employees are, immediately upon hire, enrolled in the pension plan. Participants with at least five years of credit service are fully vested.

The Public Employee’s Retirement Law (Part 3 of the California Government Code § 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 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. As describe in Note 9, the unfunded actuarial accrued liability as of June 30, 2022 was restated to be in accordance with Financial Accounting Standard Board (FASB), and Accounting Standards Update 715 (ASU 715)- Compensation: Retirement Benefits – Defined Benefit Pension Plans.

The unfunded actuarial accrued liabilities were as follows:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Benefit obligation	\$ 153,853,434	\$ 148,858,871
Market value of assets	<u>(111,129,336)</u>	<u>(99,500,978)</u>
Unfunded liability	<u>\$ 42,724,098</u>	<u>\$ 49,357,893</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 7 – Pension Plan (Continued)

Reconciliation of Benefit Obligations

The changes in benefit obligations were as follows:

	June 30,	
	2024	2023
Obligation at beginning of year	\$ 148,858,871	\$ 154,715,344
Service cost	6,911,369	6,740,914
Interest cost	7,815,378	7,118,124
Assumption change gain	(7,542,268)	(15,129,543)
Experience loss	2,794,613	-
Benefits paid	(4,984,529)	(4,585,968)
	<u>\$ 153,853,434</u>	<u>\$ 148,858,871</u>
Obligation at end of year	<u>\$ 153,853,434</u>	<u>\$ 148,858,871</u>

A reconciliation of the market value of assets over the prior years were as follows:

	June 30,	
	2024	2023
Fair value of plan assets at beginning of year	\$ 99,500,978	\$ 92,936,727
Employer contribution	4,298,843	3,561,080
Employee contribution	2,665,814	1,844,280
Benefits paid and expenses	(4,984,529)	(4,585,968)
Actual gain (loss) on plan assets	9,648,230	5,744,859
	<u>\$ 111,129,336</u>	<u>\$ 99,500,978</u>
Fair value of plan assets at end of year	<u>\$ 111,129,336</u>	<u>\$ 99,500,978</u>
Net amount recognized in the statements of financial position	<u>\$ 42,724,098</u>	<u>\$ 49,357,893</u>

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 7 – Pension Plan (Continued)

Reconciliation of Benefit Obligations (Continued)

Net periodic benefit costs consists of the following components:

	June 30,	
	2024	2023
Service cost	\$ 6,911,369	\$ 6,740,914
Interest cost	7,815,378	7,118,124
Expected return on plan assets	(6,833,391)	(6,347,557)
Net periodic benefit cost	\$ 7,893,356	\$ 7,511,481

Economic Assumptions

The significant actuarial assumptions are as follows:

	June 30,	
	2024	2023
Long-term discount rate	5.53%	5.24%
Payroll growth	6.80%	6.80%
Expected long-term rate of return	4.00%	4.00%

The starting point and most important element of CalPERS' return on investments is the asset allocation or diversification among stocks, bonds, cash, and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 7 – Pension Plan (Continued)

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class.

The allocation of assets shown above reflects the values of the Public Employees Retirement Fund (the “PERF”) in its entirety as of June 30, 2024 and 2023. The assets for the Center are part of the PERF and are invested accordingly. The funded status of the Center’s post-retirement plan is 72% and 67% as of June 30, 2024 and 2023, respectively.

The following projected benefit payments for the next ten years, which reflect expected future service, as appropriate, are expected to be paid at June 30, 2025 and for the years then ended:

Year Ending June 30,		
2025	\$	5,303,791
2026		5,685,952
2027		6,003,666
2028		6,308,378
2029		6,657,763
2030-2034		39,788,058
	\$	69,747,608

The following projected benefit payments for the next ten years, which reflect expected future service, as appropriate, are expected to be paid at June 30, 2024 and for the years then ended:

Year Ending June 30,		
2024	\$	4,969,348
2025		5,266,495
2026		5,583,555
2027		5,908,835
2028		6,218,690
2029-2033		36,893,748
	\$	64,840,671

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8 – Commitments and Contingencies

Commitments

In accordance with the terms of the DDS contract, an audit may be performed by an authorized DDS representative. Should such audit disclose any unallowable costs, the 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, 2024 and 2023, and for the years 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's 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 78% of its labor force through Social Services Union Local 1021, Service Employees International Union (the Union). This labor force is subject to a collective bargaining agreement (the agreement) and, as such, renegotiation of such agreement could expose the Center to an increase in hourly costs and work stoppages. The agreement is effective through November 1, 2025. The agreement is automatically renewed unless the Union or the Center notifies the other party in writing, not less than sixty days before the end of the term, of the party's desire to terminate, change, amend, or add to the agreement.

Legal Proceedings

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 THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 9 – Restatement of Prior Period Pension Obligation

The pension benefit obligation as of July 1, 2022 has been restated to recognize the balance based on the actuarial valuation prepared in accordance with Financial Standards Board (FASB) *Accounting Standards Update 715 (ASU 715)-Compensation: Retirement Benefits-Defined Benefit Pension Plans*.

Prior to July 1, 2022, VMRC utilized the CalPERS actuarial valuation, which is prepared in accordance with Government Accounting Standards Board (GASB) in *GASB No. 68 Accounting and Financial Reporting for Pensions*.

VMRC is a 501c(3) corporation with operations funded by the State of California’s Department of Developmental Services. VMRC following FASB pronouncements but is allowed to participate CalPERS due to the fact VMRC is deemed an instrument of the state and is a public agency as defined in California Government Code Section 22009.

VMRC’s is one of very few participants in CalPERS that is required to report their financial statements under FASB pronouncements but is required to follow CalPERS’ methodology of funding, contribution, and settlement based on GASB pronouncements.

To account for the differences between FASB and GASB pronouncements, management has elected to restate the following balances:

<u>July 1, 2022</u>	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>As Restated</u>
Statement of Financial Position			
Retirement health care plan obligation	\$ 8,103,119	\$ 53,675,498	\$ 61,778,617
Statement of Activities			
Net deficit at the beginning of the year	\$ 11,561,961	\$ 53,675,498	\$ 65,237,459