REGIONAL CENTER OF ORANGE COUNTY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR 2020)

REGIONAL CENTER OF ORANGE COUNTY, INC.

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MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Regional Center of Orange County, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Regional Center of Orange County, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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.

Auditors' 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 auditors' 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 audit opinion.

MARCUMGROUP
MEMBER

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regional Center of Orange County, Inc. as of June 30, 2021, 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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S., *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented as supplementary information 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Center's 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2021. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, 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, 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 the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Marcum LLP

San Francisco, California
June 30, 2022

REGIONAL CENTER OF ORANGE COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2020)

	2021	2020
Assets		
Cash	$ 20,783,667	$ 16,307,630
Cash held for clients	370,740	366,597
Contract receivables - State of California	135,301,329	147,190,387
Intermediate care facilities vendor receivables	7,230,240	5,853,534
Deposits and prepaid expenses	573,058	570,887
Other assets	530,737	635,933
Unbilled reimbursable contract costs receivables - State of California	118,748,154	128,563,682
Total Assets	$ 283,537,925	$ 299,488,650
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 52,201,439	$ 53,165,356
Contract advance - State of California	112,030,078	117,209,654
Due to State of California	52,523	52,523
Net assets held for clients	326,353	326,399
Accrued vacation and other leave benefits	2,537,244	2,273,758
Deferred rent liability	4,820,405	4,865,802
Unfunded pension benefit obligations	111,390,505	121,424,122
Total Liabilities	283,358,547	299,317,614
Net Assets Without Donor Restrictions	179,378	171,036
Total Liabilities and Net Assets	$ 283,537,925	$ 299,488,650

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

REGIONAL CENTER OF ORANGE COUNTY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

	2021	2020
Support and Revenue		
Contracts - State of California	$ 492,616,835	$ 512,416,318
Federal awards	863,518	929,701
Intermediate care facilities	9,053,952	9,153,586
Interest income	19,369	233,874
Contributions	13,977	9,717
Total Support and Revenue	502,567,651	522,743,196
Expenses		
Program services	508,925,954	480,928,987
Management and general	11,199,036	11,841,961
Total Expenses	520,124,990	492,770,948
Change in Net Assets Before Changes in Pension Benefit Obligation	(17,557,339)	29,972,248
Change in Pension Benefit Obligation Other Than Periodic Benefit Costs	17,565,681	(29,977,590)
Change in Net Assets	8,342	(5,342)
Net Assets Without Donor Restrictions - Beginning	171,036	176,378
Net Assets Without Donor Restrictions - Ending	$ 179,378	$ 171,036

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

REGIONAL CENTER OF ORANGE COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020)

	Program Services	Management and General	2021 Total	2020 Total
Purchase of Services				
Community and intermediate care facilities	$ 150,656,952	$ --	$ 150,656,952	$ 122,868,659
Day training and day program services	90,525,095	--	90,525,095	97,193,289
Transportation services	10,489,398	--	10,489,398	16,364,980
Respite care services	44,110,684	--	44,110,684	35,131,809
Medical care services	9,150,272	--	9,150,272	9,438,669
Nonmedical services	16,161,935	--	16,161,935	15,276,630
Other purchased services	144,926,154	--	144,926,154	145,370,869
Total Purchase of Services	466,020,490	--	466,020,490	441,644,905
Operating				
Salaries and related expenses	42,875,277	3,768,994	46,644,271	42,971,538
Office occupancy	--	3,201,320	3,201,320	3,208,713
Data processing	--	1,369,269	1,369,269	1,440,753
Office expenses	--	570,274	570,274	834,340
Communications	--	515,304	515,304	724,881
Other operating expenses	30,187	1,773,875	1,804,062	1,945,818
Total Operating	42,905,464	11,199,036	54,104,500	51,126,043
Total Expenses	$ 508,925,954	$ 11,199,036	$ 520,124,990	$ 492,770,948

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

REGIONAL CENTER OF ORANGE COUNTY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	$ 8,342	$ (5,342)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Contract receivables - State of California	11,889,058	(16,436,441)
Intermediate care facilities vendor receivables	(1,376,706)	(755,677)
Receivables held for clients	--	20,971
Deposits and prepaid expenses	(2,171)	48,663
Other assets	105,196	(5,446)
Accounts payable	(963,917)	10,485,541
Contract advance - State of California	(5,179,576)	11,816,823
Net assets held for clients	(46)	(118,302)
Net Cash Provided by Operating Activities	4,480,180	5,050,790
Cash and Cash Held for Clients - Beginning	16,674,227	11,623,437
Cash and Cash Held for Clients - Ending	$ 21,154,407	$ 16,674,227
Statement of Financial Position Presentation		
Cash	$ 20,783,667	$ 16,307,630
Cash held for clients	370,740	366,597
Total Cash and Cash Held for Clients	$ 21,154,407	$ 16,674,227

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

Organization

Regional Center of Orange County, Inc. (the "Center"), a California nonprofit public benefit corporation under contract with the State of California Department of Developmental Services ("DDS"), was formed in 1977 to administer programs for individuals with developmental disabilities and their families, which includes diagnosis, counseling, education services, and dissemination of information on developmental disabilities to the public. The Center is one of 21 regional centers within California and serves Orange County.

Governance

The Center was organized in accordance with the provision of the Lanterman Developmental Disabilities Services Act (the "Lanterman Act") of the Welfare and Institutions Code of the State of California. The Lanterman Act includes governance provisions regarding the composition of the Center's Board of Directors. The Lanterman 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 percent of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25 percent 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 Board. To comply with the Lanterman Act, the Board of Directors includes persons with developmental disabilities, or their parents or legal guardians, who receive services through the Center and a client service provider of the Center.

STATE OF CALIFORNIA CONTRACT

The Center operates under an annual cost-reimbursement contract with DDS under the Lanterman Act. The maximum expenditures under the contract are limited to the contract amount plus interest earned. The Center is required to maintain accounting records in accordance with the Regional Center Fiscal Manual, issued by DDS, and is required to have DDS approval for certain expenses. In the event of termination or nonrenewal of the contract, the State of California maintains the right to assume control of the Center's operation and the obligation of its liabilities.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

The Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which involves the application of the accrual method of accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that the Center report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Center are classified and reported as follows:

Without Donor Restrictions
Those net assets and activities which represent expendable funds for operations related to the DDS contract. These accounts also record the activities of a federally funded program.

With Donor Restrictions
Those net assets and activities which are donor-restricted for holdings of (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; (d) the acquisition of long-lived assets; (e) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (f) assets donated with stipulations that they be invested to provide a permanent source of income.

As of June 30, 2021, and for the year then ended, the Center did not have any net assets or activities with donor restrictions.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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. The carrying amounts of receivables and accounts payable approximate fair value because of the short maturity of these instruments.

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH

Cash is defined as cash in demand deposit accounts as well as cash on hand. The Center considers all financial instruments with a maturity of three months or less when purchased to be cash equivalents. As of June 30, 2021, and for the year then ended, the Center did not have any cash equivalents.

CONTRACT RECEIVABLES

Contract receivables represent claims billed according to the terms of the contract for costs incurred through the end of the year. Management believes that these receivables are fully collectible and, therefore, has not provided an allowance for doubtful accounts.

STATE EQUIPMENT

Pursuant to the terms of the contract with DDS, equipment purchases become the property of the State of California and, accordingly, are charged as expenses when incurred. The Center tracks items, which cost more than $5,000 and have an estimated useful life of more than one year. For the year ended June 30, 2021, there were no equipment purchases, and the equipment disposals were $81,789. The aggregate equipment costs at June 30, 2021, totaled $2,060,605.

LEASEHOLD IMPROVEMENTS

Leasehold improvements not reimbursed by DDS are capitalized and are amortized over the shorter of the asset’s life or the term of the lease. As of June 30, 2021, leasehold improvements net of amortization were $530,737 and are included in other assets on the statement of financial position.

CLIENT TRUST ASSETS AND LIABILITIES

The Center serves as a representative payee for a portion of its clients. In this fiduciary capacity, it receives social security benefits and other sources of income and makes payments on behalf of certain developmentally disabled clients who are deemed unable to administer the funds themselves. Client Trust transactions are not considered revenue or expenses of the Center. The cash that is received and outstanding receivables, net of inter-fund liabilities, are reported as a liability, net assets held for clients, until it is distributed to the respective clients.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCRUED VACATION AND OTHER LEAVE BENEFITS

The Center has accrued a liability for vacation and sick leave benefits earned which are reimbursable costs under the contract with DDS; however, such benefits are reimbursed only when actually paid, therefore, these deferred costs are recognized as unbilled reimbursable contract costs receivables - State of California on the statement of financial position. The Center accrues earned vacation up to 320 hours. When the employee separates from service, the employee will receive the unused vacation.

DEFERRED RENT

The Center leases office facilities under lease agreements that are subject to scheduled acceleration of rental payments. The scheduled rent increases are amortized evenly over the term of the lease in accordance with U.S. GAAP. The deferred rent liability of $4,820,405 at June 30, 2021, represents the accumulated difference between the cash payments made and the amount expensed since inception of the lease. The DDS reimburses the Center for rent cost after it is paid. Therefore, deferred rent is recognized on the statement of financial position as part of the unbilled reimbursable contract costs receivables - State of California.

REVENUE RECOGNITION – STATE OF CALIFORNIA GRANTS

The Center has a five-year cost-reimbursement contract with DDS which will expire June 30, 2024. The Center is obligated to provide direct consumer services to persons with developmental disabilities and is reimbursed by DDS for contract related costs based on predetermined rates and budgeted costs. Revenue and expenses are recognized equal to the costs incurred when the Center satisfies its performance obligation by delivering the contracted services to the eligible customers. Any supplemental funds or increases on the current existing contract are accounted for as prospective or cumulative catch-up adjustments. All eligible contract costs that are incurred but not paid, therefore not billed yet, are recognized as revenue and expense on accrual basis. Such billable costs are recorded as receivables in statement of financial position, as the contract with DDS will not be cancelled. The contract advance represents the funds received at the inception of each contract and are yet to be exhausted against the costs of services expected to be performed and delivered. At the conclusion of each contract, total costs and revenues are reviewed and a final financial settlement is made with DDS. Depending on the date of the service, claims are classified and charged to the appropriate contract as follows:

- Current year
- Prior year
- Second prior year

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS

The Center recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions are recognized based on the existence or absence of donor-imposed restrictions. Contributions with donor-imposed restrictions may be expendable or are required to be held in perpetuity.

The satisfaction of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities and changes in net assets. These transactions are reported as net assets released from restrictions in the statement of activities and changes in net assets and are reported separately from other transactions.

FEDERAL GRANTS

Revenue from federal grants is recognized when the Center satisfied its performance obligation by carrying out the activities stipulated in the grant agreement. The Center is a sub-recipient to DDS with regard to the following grant:

U.S. Department of Education
The Special Education Grants for Infants and Families, which provides funding for early intervention services for infants and toddlers, through age three, as authorized by Public Law 102-119.

INCOME TAXES

The Center is a qualified organization exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code ("IRC") and franchise taxes under §23701d of the California Revenue and Taxation Code. Accordingly, it is exempt from federal and California income taxes and is not liable for federal unemployment taxes.

Management evaluated the Center's tax positions and concluded that they maintained their tax-exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress or pending.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFINED BENEFIT PENSION PLAN

The Center records the unfunded liability of its defined benefit pension plan with California Public Employees' Retirement System ("CalPERS") on the statement of financial position and recognizes the changes in the funded status on the statement of activities and changes in net assets in the year in which the change occurs. The Center's share in the unfunded projected pension benefits obligations is determined in accordance with the provisions of Financial Accounting Standards Board ("FASB") Standards Codification (ASC) 715, *Defined Benefit Plans - Pension*. The Center recognized the incurred but unpaid pension benefits costs as part of the unbilled reimbursable contract cost receivables - State of California on the statement of financial position. Pension benefits costs are billed to DDS when paid by the Center to CalPERS.

FUNCTIONAL EXPENSES ALLOCATION

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Purchase of services, salaries and related expenses are allocated to the program services or general and administrative classes on a direct-cost basis. All other operating expenses are allocated to general and administrative service.

CONCENTRATIONS OF RISKS

Credit Risk

Financial instruments, which potentially subject the Center to a concentration of credit risk, principally consist of cash, contract receivable, and receivables from vendors. The Center places cash in deposit accounts, which may at times, exceed the federally insured limit. Through its contract with DDS, the Center is reimbursed for its expenses. The ability of DDS to honor its obligations and to continue funding is dependent upon the overall economic well-being of the State of California. The Center has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements as of June 30, 2020, and for the year then ended, from which the summarized information was derived.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. This ASU's effective date had two one-year delays and is now effective for fiscal years beginning after December 15, 2021; and early application is permitted. Management is evaluating the impact of this guidance.

In June 2016, FASB issues ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The standard is effective for fiscal years beginning after December 31, 2022. Early adoption is permitted. Management is evaluating the impact of this guidance.

On September 17, 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*. ASU 2020-07 provides guidance concerning presentation and disclosure for contributed non-financial assets for nonprofit organizations, including additional presentation and disclosure rules for recognized contributed services. It does not change the recognition and measurement requirements for contributed non-financial assets.

This ASU requires the nonprofit organization to present donated non-financial assets separately in the statement of activities and changes in net assets from contributions of cash or other financial assets. The additional disclosure rules require disclosure of non-financial assets by category and for each category; the disclosure is required to include the following:

- Qualitative information about whether contributed non-financial assets were either monetized or used during the reporting period. If used, a description of the programs or other activities in which those assets were used;
- The nonprofit organization's policy (if any) for monetizing rather than using contributed non-financial assets;
- A description of any associated donor-imposed restrictions;

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition.
- The principal market (or most advantageous market) used to arrive at a fair value measurement if it is a market in which the recipient nonprofit is prohibited by donor-imposed restrictions from selling or using the contributed non-financial asset.

NOTE 2 - CONTRACT RECEIVABLES – STATE OF CALIFORNIA

Under the terms of DDS contracts, funded expenditures are not to exceed $537,612,238, $482,228,402, and $429,388,063 for the fiscal years 2020/21, 2019/20, and 2018/19, respectively. As of June 30, 2021, actual net expenditures under the 2020/21, 2019/20, and 2018/19 contracts were $493,998,964, $479,073,082, and $419,686,381, respectively.

Contract receivables as of June 30, 2021, consist of the following:

Claims submitted:	
Current year	$ 130,502,304
Prior year and second prior year	4,799,025
Total	$ 135,301,329

NOTE 3 - UNBILLED REIMBURSABLE CONTRACT COSTS RECEIVABLES – STATE OF CALIFORNIA

The contract with DDS stipulates that if the contract is terminated, DDS shall pay the accrued benefits and existing contracts. Accrued benefits shall include vacation, sick leave, and any other benefits. The Center’s management, based on the fact that DDS has paid all claims of such benefits and costs that have been claimed by the Center since its inception of operation, believes that the entire balance of the receivables is collectible.

NOTE 3 - UNBILLED REIMBURSABLE CONTRACT COSTS RECEIVABLES – STATE OF CALIFORNIA (CONTINUED)

Unbilled reimbursable contract costs receivables as of June 30, 2021, consist of the following:

Unfunded defined benefit plan obligations	$ 111,390,505
Deferred costs for rent liability	4,820,405
Deferred costs for accrued vacation and other leave benefits	2,537,244
Total	$ 118,748,154

NOTE 4 - INTERMEDIATE CARE FACILITIES – STATE PLAN AMENDMENT

During the year ended June 30, 2011, various legislative changes were made to the California Welfare and Institutions Code retroactive to July 1, 2007, making Intermediate Care Facility (“ICF”) providers responsible for billing and receiving payment for day programs and transportation services; and ultimately, making such services eligible for reimbursement under California’s Home and Community Based Services Program, which is funded by the Medicaid Waiver grant (“Medicaid”).

Previously, such services provided to the residents were not reimbursable by Medicaid because the funds were not directly billed and received by the ICFs. The legislative changes allow for DDS to bill these services to Medicaid and capture federal funds.

DDS directs the Center to prepare billings for these services on behalf of the ICFs. The billings include a 5.5% Quality Assurance fee for the State of California Department of Health Care Services, a 1.5% administrative fee for the ICFs and a 1.5% administration fee for the Center.

Effective July 1, 2012, DDS directed the Center to prepare billings for these services on behalf of the ICFs and submit a separate state claim report for these services in addition to paying the ICFs directly for their 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.

NOTE 4 - INTERMEDIATE CARE FACILITIES – STATE PLAN AMENDMENT (CONTINUED)

The receivable from ICFs in the amount of $7,230,240 represents the amount DDS paid or will pay to the ICFs net of the ICF's administrative fee and Quality Assurance fee in relation to the billings prepared beginning July 1, 2012, and the payable to DDS of $52,523, represents the amount expected to be paid net of the Center's fee in relation to the billings prepared on or before June 30, 2012. Revenue from ICFs for the year ended June 30, 2021, was $9,053,952 and is included in contracts – State of California on the statement of activities and changes in net assets.

NOTE 5 - CONTRACT ADVANCE – STATE OF CALIFORNIA

Contract advance represents in advance payments from DDS to the Center at the beginning of each fiscal year to provide interest-free working capital. DDS uses its discretion in determining the balance on a month-to-month basis. It is DDS' sole discretion whether the advance will be paid by offsetting the contract receivable partially or in full. Due to the lack of mutuality offsetting rights, the contract advance is presented separately from the contract receivables on the statement of financial position. As of June 30, 2021, contract advance balance was $112,030,078.

NOTE 6 - LINE OF CREDIT

The Center had a revolving line of credit with MUFG Union Bank, N.A. whereby it may borrow up to $44,500,000 through September 30, 2021, the maturity date. The line of credit is secured by substantially all of the Center's assets with interest at the bank's reference rate. At the closing of business on June 30, 2021, the interest rate was 3.25% per annum. During the year ended June 30, 2021, the Center had not drawn on the line of credit. Subsequent to year-end, the line of credit was renewed and expires on September 30, 2022.

NOTE 7 - NET ASSETS HELD FOR CLIENTS

The activity in net assets held for clients for the year consist of the following:

Beginning Balance	$ 326,399
Client support received	1,544,926
Less: purchase of services and disbursements	(1,544,972)
Ending Balance	$ 326,353

NOTE 8 - DEFINED BENEFIT PENSION PLAN

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

FASB ASC 715-30, *Defined Benefit Plans – Pension,* requires the Center to recognize the funded status of a defined benefit retirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the change in net assets without donor-imposed restrictions in the year in which the change occurs.

The Center has two retirement plans with CalPERS. The first plan is a 2%-at-age-55 formula, which closed as of December 31, 2012. All eligible employees hired prior to January 1, 2013, participate in this plan. The second plan is a 2%-at-age-62 formula, which was established by the Public Employees' Pension Reform Act of 2013; and, all eligible employees hired on or after January 1, 2013 participate in this plan. The total required employee contributions are 7% of earnings for the 2%-at-age-55 plan and 6.25% of earnings for the 2%-at-age-62 plan. The Center is required to contribute the remaining amounts necessary to fund the benefits for its employees, using the actuarial basis adopted by the CalPERS Board of Administration.

The CalPERS Board of Administration adopted changes to the demographic assumptions based on the most recent experience study. The most significant of these is acknowledgement that members are living longer and that this trend will continue. The actuarial assumptions and methods used in CalPERS public agency valuation are approved by the Board of Administration upon the recommendation of the Chief Actuary.

The excess of the total actuarial accrued liability over the market value of plan assets is 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 payoffs.

Net periodic benefit cost for the year ended June 30, 2021, is as follows:

Service cost	$ 13,395,502
Interest cost	6,613,025
Expected return on plan assets	(7,317,891)
Recognized net actuarial losses (gains)	2,614,811
Net Periodic Benefit Cost	$ 15,305,447

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net periodic benefit cost is included in salaries and benefits expenses on the statement of activities and changes in net assets.

Pension benefit changes other than net periodic benefit costs during the year ended June 30, 2021, are as follows:

Assumption (gain) loss	$ 862,881
Experience (gain) loss	589,792
Recognized net actuarial (gains) and losses	(2,614,811)
Investment experience	(16,403,543)
Changes Other Than Net Periodic Benefit Costs	$ (17,565,681)

Benefit obligation and funded status as of June 30, 2021, are as follows:

Benefit obligation	$ 241,872,713
Market value of assets	(130,482,208)
Unfunded Pension Benefit Obligation	$ 111,390,505

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in benefit obligation and funded status during the year ended June 30, 2021, are as follows:

Change in Benefit Obligation		
Benefit Obligation - Beginning	$	223,745,937
Service cost		13,395,502
Interest cost		6,613,025
Experience (gain) loss		589,792
Assumptions (gain) loss		862,881
Benefits and expenses paid		(3,334,424)
Benefit Obligation - Ending		241,872,713
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets - Beginning		102,321,815
Actual return on plan assets		23,721,434
Total contributions		7,773,383
Benefit and expenses paid		(3,334,424)
Fair Value of Plan Assets - Ending		130,482,208
Unfunded Pension Benefit Obligations	$	111,390,505

The discount rate was derived from the Above Median FTSE Pension Discount Curve as of June 30, 2021, using the expected payouts from the plan. The rate used as of the beginning of the fiscal year (used to calculate the expense for the year) was 2.97%. Below is a comparison of the effect on the benefit obligation with a 1% change in the discount rate:

Change in Assumption		Projected Pension Benefit Obligations
Current discount rate falls 1% to 1.97%	$	305,678,277
Current discount rate rises 1% to 3.97%	$	195,275,266

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The assumptions used in the measurement of the benefit obligations at June 30, 2021, are as follows:

Discount Rate	2.97%
Long-term rate of return	7.00%
Salary scale	4.00%
Maximum benefit and annual compensation limit increases	2.50%

CalPERS long-term rate of return on plan assets is 7% which is determined in consultation with CalPERS investment staff and advisors. The annual pension expense under ASC 715 is based on the expected return on plan assets during the fiscal year.

For the mortality rate, the actuary used the male and female, Pri-2012 Total Dataset Mortality Tables projected forward using Mortality Improvement Scale MP-2020 on a generation basis. This assumption is expected to be a best estimate of future mortality experience, being based on the latest published study by the Society of Actuaries, which was finalized in October 2020.

The plan is reported as a pension trust fund, and is accounted for using the accrual basis of accounting. Contributions to the plan are recognized in the period in which the contributions are due pursuant to legal requirements. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Member and employer contribution rates are determined by periodic actuarial valuations. Actuarial valuations are based on the benefit provisions and employee groups of each employer. Benefits and refunds are recognized when currently due and payable in accordance with the terms of each rate plan.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The actual allocations for the pension assets and target allocations by asset class as of June 30, 2021, are as follows:

Asset allocation

Asset Class	Percentage of Plan Assets	Target Allocation
Global equity	51.4%	50.0%
Private equity	8.3%	8.0%
Global fixed income	29.8%	28.0%
Liquidity	1.0%	1.0%
Real assets	9.6%	13.0%
Multi-asset class	-0.1%	0.0%
Total	100%	100%

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

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

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

Level 2
Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Plan assets of $130,482,208 are held in a pooled investment account managed by CalPERS and are considered Level 3 investments.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the fiscal years ending June 30:

Fiscal Year	Expected Payment
2022	$ 3,821,383
2023	4,211,746
2024	4,520,676
2025	4,911,588
2026	5,320,236
2027-2031 Aggregate	34,138,791
Total	$ 56,924,420

NOTE 9 - COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

The Center is obligated under certain non-cancellable operating leases for field and main office facilities. The leases' terms expire in various years through December 2030. The terms of the leases provide for payment of minimum annual rentals, insurance, and property taxes. All leases are classified as operating leases. Rent expense was $3,064,618 for the year ended June 30, 2021.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments for leases in effect at June 30, 2021, are as follows:

For the Years Ending June 30,	Amount
2022	$ 3,190,290
2023	3,285,998
2024	3,384,578
2025	3,486,116
2026	3,590,699
Thereafter	15,337,656
Total	$ 32,275,337

CONTINGENCIES

The majority of the Center's funding is provided under an annual contract with DDS. If a significant reduction in the level of funding provided by DDS were to occur, it may have an effect on the Center's programs and activities.

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 the contract year, DDS may reallocate surplus funds within the State of California system to supplement the Center's funding. If a system-wide deficit occurs, DDS is required to report to the Governor of California and the appropriate fiscal committee of the State Legislature and recommend actions to secure additional funds or reduce expenditures. DDS' recommendations are subsequently reviewed by the Governor and the Legislature and a decision is made with regard to specific actions, including the possible suspension of the entitlement.

The Center's revenue, which is derived from restricted funding provided by DDS, is subject to audit by DDS. According to the terms of the contract with the DDS, an audit may be performed by authorized DDS representatives. Should such an 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 potential effect of any disallowed costs would be immaterial to the financial statements as of June 30, 2021.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

CONTINGENCIES (CONTINUED)

The Center has elected to self-insure its unemployment insurance using the prorated cost-of-benefits method. Under this method, the Center is required to reimburse the State of California Employment Development Department for the benefits paid to certain former employees. As of June 30, 2021, the Center had $522,801 in a reserve cash account to pay any potential unemployment claims.

NOTE 10 - LIQUIDITY AND FINANCIAL RESOURCES

The Center has various sources of liquidity at its disposal, including cash and contact receivables, which are available for general expenditures, liabilities and other obligations as they come due. Management regularly reviews the cash flow needs and focuses on maintaining sufficient liquidity throughout the year. To help manage unexpected liquidity needs, the Center has obtained a line of credit of $44,500,000 until September 30, 2021.

The Center's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2021, were as follows:

Financial Assets	
Cash	$ 20,783,667
Contract reimbursement receivable, net of contract advance	23,271,251
Receivable from Intermediate Care Facilities	7,230,240
Financial Assets Available to Meet General Expenditure Within One Year	$ 51,285,158

NOTE 11 - RISK AND UNCERTAINTY

The global economy has been impacted by a pandemic outbreak of the COVID-19 virus, including the United States of America starting March 2020. This has resulted in many businesses temporarily closing or working in remote environments. The Center does not yet know the full extent of the potential impact, if any, this may have on their business operations, no specific material adverse matters have been identified or estimable. The Center will continue to monitor the COVID-19 situation closely and revise their estimates in future periods, as necessary.

NOTE 12 - SUBSEQUENT EVENTS

The Center has evaluated all subsequent events through June 30, 2022, the date the financial statements were available to be issued. Except for the matter discussed in Note 6, no events requiring recognition or disclosure in the financial statements have been identified.

INDEPENDENT AUDITORS' 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 of
Regional Center of Orange County, Inc.

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 Regional Center of Orange County, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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 June 30, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) 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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

MARCUMGROUP
MEMBER

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Compliance and Other Matters

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

Purpose of this Report

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

Marcum LLP

San Francisco, California
June 30, 2022

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Regional Center of Orange County, Inc.

Report on Compliance for Each Major Federal Program

We have audited Regional Center of Orange County Inc.'s (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2021. The Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Center's major federal program 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 Award* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

San Francisco, California
June 30, 2022

REGIONAL CENTER OF ORANGE COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Office of Special Education and Rehabilitative Services of the U.S. Department of Education passed-through the State of California Department of Developmental Services:				
Early Intervention Services:				
Special Education- Grants for Infants and Families with Disabilities	84.181	HD199014B	$ --	$ 863,518
Total Expenditures of Federal Awards			$ --	$ 863,518

See independent auditors' report and notes to the Schedule of Expenditures of Federal Awards.

REGIONAL CENTER OF ORANGE COUNTY, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activities of Regional Center of Orange County, Inc. 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 the Center, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as a reimbursement.

NOTE 3 - INDIRECT COST RATE

The Center has elected not to use the 10% de minimis indirect cost rate.

REGIONAL CENTER OF ORANGE COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF THE AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Noncompliance material to financial statements:	No

Federal Awards

Internal control over major federal programs:	
Material weaknesses identified:	No
Significant deficiencies identified:	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program/Cluster
84.181	Special Education - Grants for Infants and Families

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee:	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS

None.