

**Far Northern Coordinating Council  
on Developmental Disabilities**

Redding, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2017



**Far Northern Coordinating Council  
on Developmental Disabilities**

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June 30, 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Far Northern Coordinating Council on  
Developmental Disabilities  
Redding, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Far Northern Coordinating Council on Developmental Disabilities (Far Northern Regional Center), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 Organization'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 Organization'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.

## INDEPENDENT AUDITORS' REPORT

(Continued)

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Far Northern Regional Center as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

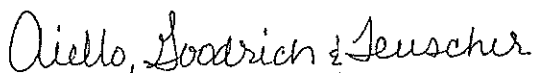
### **Other Matters**

#### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of Far Northern Regional 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 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 Far Northern Regional Center's internal control over financial reporting and compliance.



December 11, 2017

Aiello, Goodrich & Teuscher

An Accountancy Corporation

Redding, California

## **FINANCIAL SECTION**

**Far Northern Coordinating Council  
on Developmental Disabilities**  
STATEMENT OF FINANCIAL POSITION

June 30, 2017	Unrestricted				Temporarily Restricted	Total
	General	State Contracts	Client Trust			
<b>ASSETS</b>						
Cash	\$ 6,906	\$ 8,576,369	\$ 1,768,958	\$ 20,404	\$	10,372,637
Receivable - State Regional Center contracts	-	43,107,232	-	-	-	43,107,232
Receivable - ICF providers	-	1,322,667	-	-	-	1,322,667
Client support receivable	-	-	89,975	-	-	89,975
Prepaid expenses	-	337,010	-	-	-	337,010
Interfund receivable (payable)	-	782,500	(782,500)	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 6,906</b>	<b>\$ 54,125,778</b>	<b>\$ 1,076,433</b>	<b>\$ 20,404</b>	<b>\$</b>	<b>55,229,521</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 13,171,220	\$ -	\$ -	\$ -	13,171,220
Advance - State Regional Center contracts	-	39,419,255	-	-	-	39,419,255
Accrued expenses	-	1,518,085	-	-	-	1,518,085
Other payable - Pass Plan	-	17,218	-	-	-	17,218
Client trust fund liability	-	-	1,076,433	-	-	1,076,433
<b>Total Liabilities</b>	<b>-</b>	<b>54,125,778</b>	<b>1,076,433</b>	<b>-</b>	<b>-</b>	<b>55,202,211</b>
<b>Net Assets</b>	<b>6,906</b>	<b>-</b>	<b>-</b>	<b>20,404</b>	<b>-</b>	<b>27,310</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,906</b>	<b>\$ 54,125,778</b>	<b>\$ 1,076,433</b>	<b>\$ 20,404</b>	<b>\$</b>	<b>55,229,521</b>

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

**Far Northern Coordinating Council  
on Developmental Disabilities**  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2017	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>			
State Regional Center contracts	\$ 154,647,860	\$ -	\$ 154,647,860
ICF revenue	2,931,990	-	2,931,990
Administrative fees	42,956	-	42,956
Interest	72,574	-	72,574
Contributions and other	1,898	19,717	21,615
<b>Subtotal</b>	<b>157,697,278</b>	<b>19,717</b>	<b>157,716,995</b>
Net assets released from restrictions:			
Satisfaction of program requirements	21,097	(21,097)	-
<b>TOTAL REVENUE</b>	<b>157,718,375</b>	<b>(1,380)</b>	<b>157,716,995</b>
<b>EXPENSES</b>			
<b>Program Services</b>			
State Regional Center contracts	152,363,143	-	152,363,143
Other	21,097	-	21,097
<b>Total Program Services</b>	<b>152,384,240</b>	<b>-</b>	<b>152,384,240</b>
<b>Supporting Services</b>			
Management and general	5,332,886	-	5,332,886
<b>Total Supporting Services</b>	<b>5,332,886</b>	<b>-</b>	<b>5,332,886</b>
<b>TOTAL EXPENSES</b>	<b>157,717,126</b>	<b>-</b>	<b>157,717,126</b>
<b>Changes in Net Assets</b>	<b>1,249</b>	<b>(1,380)</b>	<b>(131)</b>
<b>Net Assets - Beginning of Year</b>	<b>5,657</b>	<b>21,784</b>	<b>27,441</b>
<b>Net Assets - End of Year</b>	<b>\$ 6,906</b>	<b>\$ 20,404</b>	<b>\$ 27,310</b>

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

**Far Northern Coordinating Council  
on Developmental Disabilities**  
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017	State Regional Center Contracts		Client Needs and Film Festival	Program Services	Supporting Services
	Case Management	Purchase of Service		Total Program	Management and General
Out-of-home placement	\$ -	\$ 39,721,502	\$ -	\$ 39,721,502	\$ -
Non-medical services	-	23,885,479	-	23,885,479	-
Day programs	-	20,046,841	-	20,046,841	-
Transportation	-	7,726,249	-	7,726,249	-
Habilitation services	-	5,604,936	-	5,604,936	-
Respite services	-	4,735,680	-	4,735,680	-
Medical care and equipment	-	3,107,912	-	3,107,912	-
Other services and programs	-	34,608,178	21,097	34,629,275	89
Salaries	9,285,458	-	-	9,285,458	1,997,115
Payroll taxes and employee benefits	3,318,797	-	-	3,318,797	642,424
Facility rental and maintenance	-	-	-	-	1,246,610
Equipment purchases	-	-	-	-	392,327
Insurance	-	-	-	-	180,136
Postage	-	-	-	-	78,807
Printing and supplies	-	-	-	-	97,791
Communications	-	-	-	-	106,294
Professional services	-	-	-	-	126,012
Dues	-	-	-	-	68,389
Utilities	-	-	-	-	52,271
Equipment rental and maintenance	-	-	-	-	43,851
Travel	322,111	-	-	322,111	41,846
Employee education	-	-	-	-	16,974
Board of Directors	-	-	-	-	20,321
Bank fees	-	-	-	-	52,485
Miscellaneous	-	-	-	-	169,144
<b>Total</b>	<b>\$ 12,926,366</b>	<b>\$ 139,436,777</b>	<b>\$ 21,097</b>	<b>\$ 152,384,240</b>	<b>\$ 5,332,886</b>

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



**Far Northern Coordinating Council  
on Developmental Disabilities**

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from grants, contracts, and clients	\$ 154,368,172
Cash paid to suppliers and employees	(155,849,080)
Interest received	72,574

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**Net Cash Used By Operating Activities** (1,408,334)

**Net Decrease in Cash** (1,408,334)

**Cash - Beginning of Year** 11,780,971

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**Cash - End of Year** \$ 10,372,637

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET**

**CASH USED BY OPERATING ACTIVITIES**

Changes in net assets \$ (131)

Adjustments to reconcile changes in net assets to  
net cash used by operating activities:

Changes in:

Receivable - State Regional Center contracts	(18,323,973)
Receivable - ICF providers	(78,673)
Client support receivable	(31,805)
Prepaid expenses	(36,572)
Accounts payable	1,574,346
Advance - State Regional Center contracts	15,110,486
Payable - DDS	(424,377)
Accrued expenses	330,271
Client trust fund liability	472,094

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**Net Cash Used By Operating Activities** \$ (1,408,334)

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

**Far Northern Coordinating Council  
on Developmental Disabilities**  
NOTES TO THE FINANCIAL STATEMENTS

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**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities** Far Northern Coordinating Council on Developmental Disabilities (Far Northern Regional Center), formerly Far Northern Coordinating Council on Mental Retardation & Developmental Disabilities, was incorporated as a not-for-profit corporation on May 11, 1967. Far Northern Regional Center was also organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (The Lanterman Act) of the *Welfare and Institutions Code* of the State of California (the State). The Lanterman Act requires the State to contract with a private not-for-profit corporation to coordinate the provision of services to developmentally disabled individuals in a geographic area. Far Northern Regional Center performs this function for Butte, Glenn, Lassen, Modoc, Plumas, Shasta, Siskiyou, Tehama, and Trinity counties.

**Basis of Accounting** The accompanying financial statements have been prepared on the accrual basis of accounting. Far Northern Regional Center is reimbursed by the State for expenses incurred in operating Far Northern Regional Center to the extent that the expenses are not covered by client support funds.

**Financial Statement Presentation** Far Northern Regional Center's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under FASB ASC Topic 958, Far Northern Regional Center is required to report information regarding its financial position and activities according to three classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

*Unrestricted Net Assets:* Represents resources over which the Board of Directors has discretionary control and that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

*Temporarily Restricted Net Assets:* Represents resources whose use by Far Northern Regional Center is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Far Northern Regional Center pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

*Permanently Restricted Net Assets:* Represents resources whose use by Far Northern Regional Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Far Northern Regional Center. Far Northern Regional Center has no permanently restricted net assets.

**Fund Accounting** The accounts of Far Northern Regional Center are maintained in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting considerations into funds established according to their nature and purpose.

**Cash** For purposes of the statement of cash flows, Far Northern Regional Center considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. In accordance with the State Regional Center contracts, bank accounts are in the name of both the State of California Department of Developmental Services (DDS) and Far Northern Regional Center.

**Far Northern Coordinating Council  
on Developmental Disabilities**

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**Prepaid Expenses** Payments made to vendors for services that will benefit Far Northern Regional Center for periods beyond the current fiscal year are recorded as prepaid expenses.

**Significant Concentrations of Credit Risk** Far Northern Regional Center maintains substantially all of its cash and temporary cash investments at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2017, cash exceeded federally insured limits by \$10,255,529. Far Northern Regional Center has not experienced any loss and management believes it is not exposed to any significant credit risk on such accounts.

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

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

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

Effective July 1, 2012, Far Northern Regional Center began billing the ICFs directly for monthly consumer day treatment and transportation services. DDS does not reimburse Far Northern Regional Center for these costs and they are billed direct to and are collected from the ICFs.

Receivable – ICF providers balances consisted of the following:

Years Ended June 30	Receivable - ICF Providers
2014	\$ 2,725
2015	85
2016	-
2017	1,319,857
<b>Total</b>	<b>\$ 1,322,667</b>

Management considers all receivables to be fully collectible.

## Far Northern Coordinating Council on Developmental Disabilities

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Interfund Receivables and Payables** These amounts result from funds due from clients that are owed to Far Northern Regional Center's contract vendors.

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

**Equipment Purchase** In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. Far Northern Regional 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.

**Revenue Recognition** Far Northern Regional Center reports contributions as revenue when they are unconditionally pledged or when they are received. Far Northern Regional Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to the statement of activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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.

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

**Contributions** Contributions are recognized as revenue when they are received or unconditionally pledged.

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

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

# Far Northern Coordinating Council on Developmental Disabilities

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Far Northern Regional Center accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes and how an uncertain tax position is recognized in financial statements. Far Northern Regional Center analyzes tax positions taken in previously filed returns and tax positions expected to be taken in future returns. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. Far Northern Regional Center's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2017, and Far Northern Regional Center does not expect this to change significantly over the next 12 months.

**Subsequent Events** Management has evaluated subsequent events through December 11, 2017, the date on which the financial statements were available to be issued.

### 2. ACCRUED EXPENSES

Accrued expenses are as follows:

June 30, 2017	
Accrued vacation	\$ 784,622
Accrued payroll and related liabilities	733,463
<b>Total</b>	<b>\$ 1,518,085</b>

Accumulated unpaid employee vacation benefits are recognized as accrued expenses and included in liabilities. Unused benefits are payable to an employee should employment cease. However, such benefits are reimbursed under State contracts only when benefits have actually been paid. Far Northern Regional Center has also recorded a receivable from DDS for the accrued vacation benefits to reflect the future reimbursement of such benefits.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of Far Northern Regional Center since payment of such benefits is not probable or estimable. Therefore, sick leave benefits are recorded as expenses in the period sick leave is taken.

### 3. LINE OF CREDIT

Far Northern Regional Center has a \$13,500,000 line of credit with The Bank of Tokyo, secured by an interest in all personal property and assets managed by Far Northern Regional Center. Interest on the outstanding balance is payable monthly at the bank's reference rate, 4.25% at June 30, 2017, and amounted to \$0 for the year ended June 30, 2017. The line of credit expires on September 29, 2017. The outstanding balance at June 30, 2017, was \$0.

**Far Northern Coordinating Council  
on Developmental Disabilities**

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**4. FUNDING LIMITS**

Far Northern Regional Center’s contract is funded by the State’s General Fund and federal reimbursements. The contracts specify the level and nature of the services to be provided to developmentally disabled persons. Allocated amounts are based primarily on projected client caseloads, and are subject to amendment based upon actual services provided.

Contracts are open for the current and two prior years as follows:

Years Ended June 30	Contract Amount	Cumulative Expenses	Unexpended Balance
2017	\$ 152,760,322	\$ 152,403,218	\$ 357,104
2016	\$ 136,754,849	\$ 131,545,571	\$ 5,209,278
2015	\$ 124,681,970	\$ 124,008,917	\$ 673,053

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

**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

June 30, 2017	
Client needs	\$ 18,925
Focus Film Festival	1,479
<b>Total</b>	<b>\$ 20,404</b>

**6. CONTRACT COMMITMENTS**

Far Northern Regional Center contracts with various providers of services for the developmentally disabled. Significant unpaid commitments under these contracts consisted of the following:

June 30, 2017	
California Housing Foundation	\$ 800,000
Creative Positive Environments	\$ 123,900
First Transit, Inc	\$ 105,830
California Mentor	\$ 393,670
Shasta County OC	\$ 264,140
Northern Valley Catholic Social Services	\$ 533,236

**Far Northern Coordinating Council  
on Developmental Disabilities**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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**7. LEASE COMMITMENTS**

Far Northern Regional Center has entered into operating lease agreements for office space located in Redding, Chico, Alturas, Mt. Shasta, Yreka, and Lake Almanor, California. Under the terms of the agreements, rental payments are contingent upon continued State funding.

Future minimum payments under these leases are as follows:

Years Ending June 30	
2018	\$ 1,096,314
2019	1,096,632
2020	1,108,511
2021	223,844
2022	775
Thereafter	-
<b>Total</b>	<b>\$ 3,526,076</b>

For the year ended June 30, 2017, total rent expense was \$1,076,623.

**8. RETIREMENT PLANS**

**Defined Benefit Plan**

**Plan Description** Effective November 1, 2002, Far Northern Regional Center elected to become a participant in the California Public Employees' Retirement System (CalPERS) and began contributions into the agent (non-pooled), multi-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating entities within the State of California. Benefit provisions and all other requirements are established by state statute and Center resolutions. Copies of CalPERS' comprehensive annual financial report (CAFR) may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811 and at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Funding Policy** Participants employed on or before January 1, 2013, are required to contribute 7% of their annual covered salary. Participants employed after January 1, 2013, are required to contribute 6.25% of their annual covered salary. Far Northern Regional Center is required to contribute at an actuarially determined rate for their participants. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The rate for the 2015-16 fiscal year was 11.40% of annual covered payroll. The contribution requirements of plan members and Far Northern Regional Center are established and may be amended by CalPERS.

**Far Northern Coordinating Council  
on Developmental Disabilities**  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

- If the Regional Center chooses to stop participating in its multi-employer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

According to the information available as of the most recent measurement date, June 30, 2016, the agent multi-employer defined benefit plan reported total pension liability of \$44,039,198, fiduciary net position of \$38,263,104, employer contributions of \$1,046,719, employee contributions of \$626,950 and benefit payments of \$1,475,459. The plan was 86.88% funded as of this date. The calculation of total pension liability included the following actuarial assumptions: 7.65% discount rate, 2.75% inflation rate, 3.00% salary increases that vary by entry age and service, and a 7.50% investment rate of return (net of pension plan investment and administrative expenses). In addition, the calculation of the total pension liability used the entry age normal actuarial cost method. Details about the plan's fiduciary net position are available in the separately issued CalPERS financial report.

The Center's net pension liability as of the measurement date was \$5,776,094. This liability is not included in the statement of financial position as such benefits are reimbursed under the DDS contract only when actually paid. The annual pension cost recognized for the Center for the year ended June 30, 2017, was \$1,284,708.

Information about the contributions and benefits expected to be paid in each of the next five fiscal years was not available and, therefore, has not been presented in these financial statements.

#### **Defined Contribution Plan**

Far Northern Regional Center has a defined contribution plan. Prior to November 1, 2002, all eligible employees were covered by the plan. A small number of employees chose not to join CalPERS and remained in the plan. Under the provisions of the plan, Far Northern Regional Center is required to contribute annually to a trust an amount equal to 8.5% of the compensation paid to each participant during the plan year. During the year ended June 30, 2017, Far Northern Regional Center contributed \$10,934 to the plan. This plan is closed to new employees and will be phased out through attrition.

### **9. LITIGATION CLAIMS AND CONTINGENCIES**

In accordance with the terms of the State contract, an audit may be performed by an authorized state representative. Should such audit disclose any unallowable costs, Far Northern Regional Center may be liable to the State for reimbursement of such costs. In the opinion of Far Northern Regional Center's management, the effect of any disallowed costs, if any, would be immaterial to the financial statements as of June 30, 2017.



**Far Northern Coordinating Council  
on Developmental Disabilities**

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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Far Northern Regional Center is dependent on continued funding provided by the Department of Developmental Services of the State of California to operate and provide services for its clients.

Far Northern Regional Center is involved in various claims and lawsuits arising in the normal conduct of its business. Far Northern Regional Center believes it has adequate defenses and insurance coverage for these actions and, thus, has made no provision in the financial statements for any material costs relating to the settlement of such claims.

**10. RELATED-PARTY TRANSACTIONS**

*California Welfare and Institutions Code, Section 4622*, requires that a minimum of 50% of Far Northern Regional Center's governing board be comprised of persons with developmental disabilities or their parents or legal guardians. Program service payments were made on behalf of persons with developmental disabilities that were governing board members or were related to governing board members. Payments of \$142,481 were made for the year ended June 30, 2017.

**SUPPLEMENTARY INFORMATION SECTION**

**Far Northern Coordinating Council  
on Developmental Disabilities**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Contract Year	Federal CFDA Number	Pass-Through Number	Disbursements/ Expenditures
<b>FEDERAL</b>				
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed Through State of California</b>				
<b>Department of Developmental Services -</b>				
Special Education - Grants for Infants and				
Families with Disabilities (Part C)				
	16/17	84.181A	H181A150037	\$ 1,099,824
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<b>1,099,824</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 1,099,824</b>

Note: The schedule of expenditures of federal awards is prepared on the cash basis of accounting as provided by the California Department of Developmental Services. Far Northern Regional Center has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

## **OTHER REPORTS SECTION**



**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  
Far Northern Coordinating Council on  
Developmental Disabilities  
Redding, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Far Northern Coordinating Council on Developmental Disabilities (Far Northern Regional Center), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2017.

**Internal Control Over Financial Reporting**

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

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

**INDEPENDENT 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***

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Far Northern Regional 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Far Northern Regional 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 Far Northern Regional Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Aiello, Goodrich & Teuscher*

December 11, 2017

Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Redding, California



**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  
Far Northern Coordinating Council on  
Developmental Disabilities  
Redding, California

**Report on Compliance for Each Major Federal Program**

We have audited Far Northern Coordinating Council on Developmental Disabilities' (Far Northern Regional Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Far Northern Regional Center's major federal program for the year ended June 30, 2017. Far Northern Regional 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance on Far Northern Regional 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Far Northern Regional 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 Far Northern Regional Center's compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
REQUIRED BY THE UNIFORM GUIDANCE**  
(Continued)

***Opinion on Each Major Federal Program***

In our opinion, Far Northern Regional 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, 2017.

**Report on Internal Control Over Compliance**

Management of Far Northern Regional 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 Far Northern Regional 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 Far Northern Regional 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.



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

(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Aiello, Goodrich & Teuscher*

December 11, 2017

Aiello, Goodrich & Teuscher

An Accountancy Corporation

Redding, California

## **FINDINGS AND RECOMMENDATIONS SECTION**

**Far Northern Coordinating Council  
on Developmental Disabilities**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2017

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**SECTION I  
SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Is any noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs: Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs: CFDA No. 84.181A Special Education – Grants for Infants and Families with Disabilities (Part C)	
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Far Northern Coordinating Council  
on Developmental Disabilities**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2017

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**SECTION II FINDINGS  
FINANCIAL STATEMENTS AUDIT**

None

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None

**Far Northern Coordinating Council  
on Developmental Disabilities**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2017

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None