Far Northern Coordinating Council on Developmental Disabilities

Redding, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2021

AGT
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Far Northern Coordinating Council on Developmental Disabilities

TABLE OF CONTENTS

June 30, 2021

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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 (the Organization), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2021, 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.

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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 the Organization 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

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. The accompanying Schedules of Financial Position by Fund and Activities by Fund are also presented for the purpose of additional analysis and are 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control over financial reporting and compliance.

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
March 10, 2022

FINANCIAL SECTION

Far Northern Coordinating Council
on Developmental Disabilities
STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS		
Cash	$	27,048,122
Receivable - State Regional Center contracts		44,688,050
Receivable - ICF providers		696,860
Client support receivable		89,637
Due from State - accrued vacation benefits		1,091,564
Due from State - unfunded projected benefit obligation		51,589,425
Prepaid expenses		406,897
Interfund receivable (payable)		-
TOTAL ASSETS	$	125,610,555
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	16,867,296
Advance - State Regional Center contracts		53,849,498
Accrued expenses		1,702,218
Unfunded projected benefit obligation		51,589,425
Other payable - Pass Plan		4,625
Client trust fund liability		1,474,169
Total Liabilities		125,487,231
Net Assets		
Without donor restriction		17,324
With donor restriction		106,000
Total Net Assets		123,324
TOTAL LIABILITIES AND NET ASSETS	$	125,610,555

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, 2021	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
State Regional Center contracts	$ 195,944,398	$ -	$ 195,944,398
ICF supplemental services	2,396,745	-	2,396,745
ICF administrative fees	35,954	-	35,954
Interest	14,168	-	14,168
Contributions and other	249,417	37,364	286,781
Subtotal	198,640,682	37,364	198,678,046
Net assets released from restrictions:			
Satisfaction of program requirements	51,653	(51,653)	-
TOTAL REVENUE	198,692,335	(14,289)	198,678,046
EXPENSES			
Program Services			
State Regional Center contracts:			
Case Management	15,104,798	-	15,104,798
Purchase of Service	177,534,900	-	177,534,900
Client Needs	50,976	-	50,976
Total Program Services	192,690,674	-	192,690,674
Supporting Services			
Management and general	6,000,571	-	6,000,571
Total Supporting Services	6,000,571	-	6,000,571
TOTAL EXPENSES	198,691,245	-	198,691,245
Changes in Net Assets	1,090	(14,289)	(13,199)
Net Assets - Beginning of Year	16,234	120,289	136,523
Net Assets - End of Year	$ 17,324	$ 106,000	$ 123,324

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, 2021	State Regional Center Contracts: Case Management	State Regional Center Contracts: Purchase of Service	Client Needs	Program Services: Total Program	Supporting Services: Management and General	Total Expenses
Out-of-home placement	$ -	$ 55,589,220	$ -	$ 55,589,220	$ -	$ 55,589,220
Other services and programs	-	48,075,976	50,976	48,126,952	235	48,127,187
Non-medical services	-	29,501,692	-	29,501,692	-	29,501,692
Day programs	-	17,656,483	-	17,656,483	-	17,656,483
Transportation	-	6,852,406	-	6,852,406	-	6,852,406
Respite services	-	12,572,950	-	12,572,950	-	12,572,950
Prevention	-	3,468,057	-	3,468,057	-	3,468,057
Habilitation services	-	2,274,782	-	2,274,782	-	2,274,782
Medical care and equipment	-	1,543,334	-	1,543,334	-	1,543,334
Salaries	10,401,577	-	-	10,401,577	2,098,839	12,500,416
Payroll taxes and employee benefits	4,680,618	-	-	4,680,618	882,314	5,562,932
Facility rental and maintenance	-	-	-	-	1,355,301	1,355,301
Equipment purchases	-	-	-	-	584,491	584,491
Miscellaneous	-	-	-	-	93,180	93,180
Professional services	-	-	-	-	193,856	193,856
Communications	-	-	-	-	197,440	197,440
Postage	-	-	-	-	121,137	121,137
Insurance	-	-	-	-	150,013	150,013
Printing and supplies	-	-	-	-	106,830	106,830
Dues	-	-	-	-	68,389	68,389
Utilities	-	-	-	-	65,578	65,578
Equipment rental and maintenance	-	-	-	-	33,158	33,158
Bank fees	-	-	-	-	18,949	18,949
Employee education	-	-	-	-	15,735	15,735
Travel	22,603	-	-	22,603	6,107	28,710
Board of Directors	-	-	-	-	9,019	9,019
Total	$ 15,104,798	$ 177,534,900	$ 50,976	$ 192,690,674	$ 6,000,571	$ 198,691,245

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$	(13,199)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in:		
Receivable - State Regional Center contracts		2,145,251
Receivable - ICF providers		175,258
Client support receivable		19,938
Prepaid expenses		(21,672)
Accounts payable		1,366,411
Advance - State Regional Center contracts		4,541,353
Accrued expenses		66,287
Client trust fund liability		(64,878)
Net Cash Provided By Operating Activities		8,214,749
Net Increase in Cash		8,214,749
Cash - Beginning of Year		18,833,373
Cash - End of Year	$	27,048,122
SCHEDULE OF NONCASH		
Decrease in due from State - unfunded projected benefit obligation	$	7,583,199
Increase in due from State - accrued vacation benefits		(199,056)
Decrease in unfunded projected benefit obligation		(7,583,199)
Increase in accrued expenses		199,056
Total	$	-

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

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities Far Northern Coordinating Council on Developmental Disabilities (the Organization), formerly Far Northern Coordinating Council on Mental Retardation & Developmental Disabilities, was incorporated as a not-for-profit corporation on May 11, 1967. The Organization 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. The Organization contracts with the State of California Department of Developmental Services (DDS) to perform this function in 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. The Organization is reimbursed by the State for expenses incurred in operating the Organization to the extent that the expenses are not covered by client support funds.

Financial Statement Presentation The Organization'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, the Organization is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

> *Net Assets Without Donor Restrictions*: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
>
> *Net Assets With Donor Restrictions*: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized.

Fund Accounting The accounts of the Organization 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, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. In accordance with the State Regional Center contracts, bank accounts are in the name of both DDS and the Organization.

Significant Concentrations of Credit Risk The Organization 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, 2021, cash exceeded federally insured limits by $27,002,451. The Organization 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 the Organization under the annual Regional Center contracts. Advances represent cash advances received by the Organization under the annual Regional Center contracts. Amounts receivable from the State are offset against advances payable when the State notifies the Organization that a right of offset exists.

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

Client Trust Funds The Organization 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 the Organization. These funds are held in a separate bank account and interest earnings are credited to the clients' balances.

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

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

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

Interfund Receivables and Payables These amounts result from funds due from clients that are owed to the Organization's contract vendors.

Defined Benefit Pension Plan The Organization records the unfunded projected benefit obligation of its defined benefit pension plan with California Public Employees' Retirement System (CalPERS) on the statement of financial position. CalPERS has the characteristics of a multiemployer plan. The Organization uses the actuarial report provided by an outside consultant coinciding with the Organization's fiscal year end. Details on the projected benefit obligation related to this plan are described in Note 9.

Due From State - Unfunded Projected Benefit Obligation The Organization has recorded an amount due from DDS that is equal to the unfunded projected benefit obligation (for the CalPERS pension plan) to reflect the future reimbursement of pension benefits. Such benefits are reimbursed under State Regional Center contracts only when pension benefits are actually paid.

Equipment Purchases In accordance with the State Regional Center contracts, all equipment purchased with contract funds is the property of the State. The Organization is required to maintain memorandum records of equipment purchases and dispositions. Equipment purchases are recorded as supporting or program service expenses when they are incurred. The cost basis of the property utilized by the Organization and owned by the State at June 30, 2021, was $758,865. This balance includes only the equipment that exceeds $5,000 as required by System Award Management (SAM) guidelines.

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

Revenue and Revenue Recognition The Center recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A significant portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as advance – State Regional Center contracts on the statement of financial position. The Organization received cost-reimbursable grants of $53,849,498 that have not been recognized in revenue at June 30, 2021, because qualifying expenditures have not yet been incurred, with an advance payment of $53,849,498 recognized in the statement of financial position as advance – State Regional Center contracts.

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

Income Taxes The Organization 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.

The Organization 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. The Organization 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. The Organization'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, 2021, and the Organization does not expect this to change significantly over the next 12 months.

Allocation of Expenses The statement of functional expenses allocates expenses directly associated with programs to those programs. The remaining expenses are allocated to supporting services.

Concentration of Labor Approximately 80% of the employees of the Organization are represented by a union for collective bargaining purposes. Periodically the collective bargaining agreement is subject to renegotiation.

Recently Issued Accounting Pronouncements In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. Management is currently evaluating the impact of this standard on its financial statements.

Change in Accounting Principle In May 2014 the FASB issued a new standard on revenue recognition, ASU 2014-09, *Revenue from Contracts with Customers*, with the intent of creating a new, principle-based revenue recognition framework. The ASU created a new topic in the FASB Accounting Standards Codification, Topic 606, in addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance.

The main provisions of the ASU were:

- Establish a new control-based revenue recognition model.
- Change the basis for deciding when revenue is recognized over time or at a point in time.
- Provide new and more detailed guidance on specific topics.
- Expand and improve disclosures about revenue.

The Organization has implemented ASU 2014-09 on the retrospective basis and has adjusted the presentation of these financial statements accordingly. The ASU had no material effect on previously reported net assets.

Subsequent Events Management has evaluated subsequent events through March 10, 2022, the date on which the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

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

June 30, 2021		
Cash and cash equivalents	$	27,048,122
Less: Cash subject to donor restrictions		(106,000)
Less: Cash reserved for client trust		(2,101,765)
Receivable - State Regional Center Contracts		44,688,050
Less: Advance State Regional Center Contracts		(53,849,498)
Receivable - Intermediate Care Facility		696,860
Total	$	16,375,769

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

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

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

3. ACCRUED EXPENSES

Accrued expenses are as follows:

June 30, 2021		
Accrued vacation benefits	$	1,091,564
Accrued payroll and related liabilities		610,654
Total	$	1,702,218

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 Regional Center contracts only when benefits have actually been paid. The Organization 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 the Organization 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.

4. LINE OF CREDIT

The Organization has a $32,000,000 line of credit with MUFG Union Bank, N.A., secured by an interest in all personal property and assets managed by the Organization. Interest on the outstanding balance is payable monthly at the bank’s reference rate, 3.25% at June 30, 2021, and amounted to $0 for the year ended June 30, 2021. The line of credit was obtained on a committed basis through September 30, 2021, and on an uncommitted basis from October 1, 2021 through March 31, 2022. The outstanding balance at June 30, 2021 was $0.

5. FUNDING LIMITS

The Organization’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
2021	$ 215,951,142	$ 192,997,830	$ 22,953,312
2020	$ 200,704,596	$ 182,943,024	$ 17,761,572
2019	$ 174,681,586	$ 172,119,096	$ 2,562,490

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

6. NET ASSETS

June 30, 2021	
NET ASSETS WITHOUT DONOR RESTRICTION	
Undesignated	$ 17,324
Total Net Assets Without Donor Restriction	17,324
NET ASSETS WITH DONOR RESTRICTION	
Subject to Expenditures for Specified Purpose	
Client needs	36,720
Holidays are for Caring	33,294
Camp Fire	2,909
Listos grant	21
Power shut off grant	33,056
Total Net Assets With Donor Restriction	106,000
Total Net Assets	$ 123,324

7. COMMITMENTS AND CONTINGENCIES

The Organization contracts with various providers of services for the developmentally disabled. Significant unpaid commitments under these contracts amounted to $1,589,142 at June 30, 2021.

The Organization's operations have been affected by the continuing COVID-19 pandemic, which was declared by the World Health Organization in March 2020. The ultimate disruption caused by the outbreak continues to be uncertain with possible effects that could have an impact on the Organization's financial position and operating results. There is significant uncertainty as to the severity and longevity of the pandemic and management continues to evaluate the impact on the business and its financial statements.

8. LEASE COMMITMENTS

The Organization has entered into operating lease agreements for office space located in Redding, Chico, Alturas, Mt. Shasta, Yreka, Red Bluff 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		
2022	$	1,249,374
2023		1,240,552
2024		1,236,587
2025		1,249,110
2026		369,600
Thereafter		1,355,200
Total	$	6,700,423

For the year ended June 30, 2021, total facility rent expense was $1,243,490.

9. RETIREMENT PLANS

Defined Benefit Plan

Plan Description Effective November 1, 2002, the Organization elected to become a participant in the California Public Employees' Retirement System (CalPERS) and began contributions into the agent, multiple-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' annual comprehensive financial report (ACFR) may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811 and at www.calpers.ca.gov.

The risks of participating in this plan is that if the Regional Center chooses to stop participating in its multiple-employer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a termination liability. The amount of this liability could be substantial and more information on it can be obtained in the Regional Center's annual CalPERS actuarial valuation report.

FASB Accounting Standards Codification (ASC) 715-30, *Defined Benefit Plans – Pension,* requires the Organization 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 net assets without donor restriction in the year in which the change occurs. The FASB valuation information in this note is based on the ASC 715 actuarial valuation report performed by Milliman, Inc., an actuarial firm, measured as of June 30, 2021.

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 7.00% of their annual covered salary. The Organization 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 employer normal cost rate for the 2020-21 fiscal year was 8.761% of annual covered payroll. The contribution requirements of plan members and the Organization are established and may be amended by CalPERS.

Actuarial Assumptions The total projected benefit obligation in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2021	
Measurement date	June 30, 2021
Discount rate	2.89%
Long-term rate of return	7.00%
Salary scale	4.00% annual increase
Maximum benefit and annual compensation limit increases	2.50% annual increase (CPI)
Administrative expenses	$56,000 per year
Mortality	Pri-2012 mortality table projected forward generationally using the MP-2021 projection scale
Terminated members	Members with < 5 years service, will receive a full refund of their employee contribution Members with > = 5 years of service are assumed to retire at age 59
Transfers	Assumed to work at another CalPERS agency until eligible for service retirement with salary at retirement applied to benefit formula
Probability of marriage	70% of the members are married, and male spouses are 3 years older than female spouses
Employee contribution rate	7% for all employees
Asset valuation method	Market value of assets

Rationale For Assumptions

With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well.

Discount Rate For the disclosures of the obligations as of the end of the fiscal year, future benefit payments were discounted back to the present using an interest rate of 2.89%. This rate was derived from the Above Median FTSE Pension Discount Curve as of the end of June 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 2.82%.

Mortality For the disclosures of obligations as of the end of the fiscal year, the male and female Pri-2012 Total Dataset Mortality Tables were projected forward using Mortality Improvement Scale MP-2021 on a generational basis. This assumption is expected to be a best estimate of future mortality experience, being based on the latest tables and projection scales published by the Society of Actuaries in October 2021.

Retirement and Withdrawal Rates The retirement and withdrawal rates are based on the June 30, 2021 CalPERS pension report. The plan's actual retirements and terminations were compared to the expected number of retirements and terminations assumed in the valuation and it was determine that the continued use of the current rates to be reasonable.

Long-Term Rate of Return The long-term rate of return on plan assets is 7.00%. This is the expected return used by CalPERS for their pension fund and was derived based on their long term expectation of asset returns in consultation with CalPERS investment staff and advisors. This rate is reasonable for purposes of this report. The annual pension expense under ASC 715 is based on the expected return on plan assets during the fiscal year.

Results of the Valuation

ASC 715 defines the Projected Benefit Obligation (PBO) as the present value of accrued benefits based on service as of the valuation date and reflecting a participant's projected final pay. The PBO and plan assets are as follows, as of June 30, 2021:

June 30, 2021	
PBO	$ 118,808,623
Plan assets	(67,219,198)
Unfunded PBO	$ 51,589,425

Net Periodic Benefit Cost

The annual expense under ASC 715 is called the Net Periodic Benefit Cost (NPBC). The NPBC consists of (1) a service cost, (2) an interest cost on the PBO, (3) an offset equal to the expected return on plan assets, and (4) amortizations. Amortizations may include any prior service costs and any gains or losses. The NPBC for the fiscal year ending June 30, 2021 was $5,621,940.

June 30, 2021		
Service cost	$	5,207,625
Interest cost		3,181,241
Expected (return) on plan assets		(3,797,213)
Recognized net actuarial (gains) and losses		1,030,287
Net Periodic Benefit Cost	$	5,621,940

Projected benefit obligation and funded status are as follows:

June 30, 2021		
Projected Benefit Obligation - Beginning of Year	$	112,739,536
Service cost		5,207,625
Interest cost		3,181,241
Assumption change (gain) or loss		(1,029,009)
Experience (gain) or loss		1,440,120
Benefits and expenses paid		(2,730,890)
Projected Benefit Obligation - End of Year		118,808,623
Fair Value of Plan Assets - Beginning of Year		53,566,912
Actual return on plan assets		12,294,311
Total contributions		4,088,865
Benefits and expenses paid		(2,730,890)
Fair Value of Plan Assets - End of Year		67,219,198
Unfunded Projected Benefit Obligation	$	51,589,425

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.

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

	Current Allocation	Target Allocation
Asset Class		
Public equity	53.0%	50.0%
Private equity	6.3%	8.0%
Global fixed income	28.3%	28.0%
Real assets	11.3%	13.0%
Liquidity	0.9%	1.0%
Inflation sensitive assets	0.0%	0.0%
Other	0.2%	0.0%
Total	100%	100%

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

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

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

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

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

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

Plan assets of $67,219,198 are held in a pooled investment account managed by CalPERS and are considered level three investments.

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

Years Ending June 30	
2022	$ 3,155,506
2023	3,452,061
2024	3,718,227
2025	4,011,694
2026	4,242,525
2026-2031	25,172,724
Total	$ 43,752,737

10. 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, the Organization may be liable to the State for reimbursement of such costs. In the opinion of the Organization's management, the effect of any disallowed costs, if any, would be immaterial to the financial statements as of June 30, 2021.

The Organization 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.

The Organization is involved in various claims and lawsuits arising in the normal conduct of its business. The Organization 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.

11. RELATED-PARTY TRANSACTIONS

California Welfare and Institutions Code, Section 4622, requires that a minimum of 50% of the Organization's governing board be comprised of persons with developmental disabilities or their parents or legal guardians. Program service payments were made on behalf of persons with developmental disabilities that were governing board members or were related to governing board members. Payments made on behalf of members of the board with developmental disabilities and the vendor member of the board's organization were $7,230,674 for the year ended June 30, 2021.

SUPPLEMENTARY INFORMATION SECTION

Far Northern Coordinating Council on Developmental Disabilities

COMBINING FUNDS STATEMENT OF FINANCIAL POSITION

June 30, 2021	General	State Contracts	Client Trust	Donation Account	Total
ASSETS					
Cash	$ 17,324	$ 24,823,033	$ 2,101,765	$ 106,000	$ 27,048,122
Receivable - State Regional Center contracts	-	44,688,050	-	-	44,688,050
Receivable - ICF providers	-	696,860	-	-	696,860
Client support receivable	-	-	89,637	-	89,637
Due from State - accrued vacation benefits	-	1,091,564	-	-	1,091,564
Due from State - unfunded projected benefit obligation	-	51,589,425	-	-	51,589,425
Prepaid expenses	-	406,897	-	-	406,897
Interfund receivable (payable)	-	717,233	(717,233)	-	-
TOTAL ASSETS	$ 17,324	$ 124,013,062	$ 1,474,169	$ 106,000	$ 125,610,555
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	$ -	$ 16,867,296	$ -	$ -	$ 16,867,296
Advance - State Regional Center contracts	-	53,849,498	-	-	53,849,498
Accrued expenses	-	1,702,218	-	-	1,702,218
Unfunded projected benefit obligation	-	51,589,425	-	-	51,589,425
Other payable - Pass Plan	-	4,625	-	-	4,625
Client trust fund liability	-	-	1,474,169	-	1,474,169
Total Liabilities	-	124,013,062	1,474,169	-	125,487,231
Net Assets					
Without donor restriction	17,324	-	-	-	17,324
With donor restriction	-	-	-	106,000	106,000
Total Net Assets	17,324	-	-	106,000	123,324
TOTAL LIABILITIES AND NET ASSETS	$ 17,324	$ 124,013,062	$ 1,474,169	$ 106,000	$ 125,610,555

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

Far Northern Coordinating Council on Developmental Disabilities

COMBINING FUNDS STATEMENT OF ACTIVITIES

Year Ended June 30, 2021	General	State Contracts	Client Trust	Donation Account	Total
REVENUE					
State Regional Center contracts	$ -	$ 195,944,398	$ -	$ -	$ 195,944,398
ICF supplemental services	-	2,396,745	-	-	2,396,745
ICF administrative fees	-	35,954	-	-	35,954
Interest		14,168	-	-	14,168
Contributions and other	413	249,004	-	37,364	286,781
Subtotal	413	198,640,269	-	37,364	198,678,046
Net assets released from restrictions:					
Satisfaction of program requirements	51,653	-	-	(51,653)	-
TOTAL REVENUE	52,066	198,640,269	-	(14,289)	198,678,046
EXPENSES					
Program Services					
State Regional Center contracts:					
Case Management	-	15,104,798	-	-	15,104,798
Purchase of Service	-	177,534,900	-	-	177,534,900
Client Needs	50,976	-	-	-	50,976
Total Program Services	50,976	192,639,698	-	-	192,690,674
Supporting Services					
Management and general	-	6,000,571	-	-	6,000,571
Total Supporting Services	-	6,000,571	-	-	6,000,571
TOTAL EXPENSES	50,976	198,640,269	-	-	198,691,245
Changes in Net Assets	1,090	-	-	(14,289)	(13,199)
Net Assets - Beginning of Year	16,234	-	-	120,289	136,523
Net Assets - End of Year	$ 17,324	$ -	$ -	$ 106,000	$ 123,324

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

Far Northern Coordinating Council
on Developmental Disabilities

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Contract Year	Federal CFDA Number	Pass-Through Number	Disbursements/ Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through State of California Department of Developmental Services -				
Special Education - Grants for Infants and Families with Disabilities (Part C)	20/21	84.181A	H181A190037	$ 1,138,618
Total U.S. Department of Education				1,138,618
Total Expenditures of Federal Awards				$ 1,138,618

Purpose of Schedules

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grants activity of the Organization and is presented on the accrual basis of accounting as provided by the California Department of Developmental Services. The information in this schedule is presented in accordance with the requirements the Uniform Guidance, A*udits of States, Local Governments, and Non-Profit Organizations*.

Indirect Cost Rate

The Organization did not elect to use the 10% de minimis method for indirect costs.

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 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 (the Organization), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2022.

Internal Control Over Financial Reporting

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

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

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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 the Organization'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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
March 10, 2022

CPAs & Advisors

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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' (the Organization), a California nonprofit corporation, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2021. The Organization'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 award programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance on the Organization'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 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 the Organization'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 Organization's compliance.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

(Continued)

Opinion on Each Major Federal Program

In our opinion, the Organization 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 Organization 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 Organization'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 Organization'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 AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE
(Continued)

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

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
March 10, 2022

FINDINGS AND RECOMMENDATIONS SECTION

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 the Uniform Guidance?	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

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None

None