Golden Gate Regional Center
Supporting Lives of Liberty and Opportunity

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

GOLDEN GATE REGIONAL CENTER, INC.

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Golden Gate Regional Center, Inc.

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

MARCUMGROUP
MEMBER

Marcum LLP ▪ 1899 L Street, NW ▪ Suite 850 ▪ Washington, DC 20036 ▪ **Phone** 202.227.4000 ▪ **Fax** 202.227.4001 ▪ **www.marcumllp.com**

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of Golden Gate Regional Center, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for the purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Purchase of Services Expenses for the year ended June 30, 2019, is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Center's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
November 26, 2019

GOLDEN GATE REGIONAL CENTER, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)

	2019	2018
Assets		
Cash and cash equivalents	$ 11,153,032	$ 17,412,230
Cash and cash equivalents held for Community Placement Plan for Individuals with Developmental Disabilities (CPPDD)	1,020,082	1,020,082
Contract reimbursement receivable	95,697,103	54,578,172
Client funds receivable	147,777	79,784
Receivable from Intermediate Care Facilities	2,601,554	2,205,857
Prepaid and other expenses	268,244	409,963
Security deposits	7,035	7,035
Total Assets	$ 110,894,827	$ 75,713,123
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	$ 26,683,307	$ 24,062,717
Contract advance	80,613,747	48,768,619
Accrued vacation and other leave benefits	1,869,335	1,731,654
Deferred rent liability	1,527,810	957,309
Total Liabilities	110,694,199	75,520,299
Net Assets With Donor Restrictions	200,628	192,824
Total Liabilities and Net Assets	$ 110,894,827	$ 75,713,123

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

GOLDEN GATE REGIONAL CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Grants – State DDS	$ 328,228,073	$ --	$ 328,228,073	$ 298,330,553
Grants – Federal	1,812,591	--	1,812,591	1,941,856
Interest	205,807	--	205,807	137,663
ICF processing income	89,507	--	89,507	105,608
Donations and gifts	--	21,664	21,664	18,652
Net assets released from restrictions:				
Satisfaction of program restrictions	13,860	(13,860)	--	--
Total Revenue and Support	330,349,838	7,804	330,357,642	300,534,332
Expenses				
Program Service				
Direct client services	321,534,021	--	321,534,021	292,875,160
Total Program Service	321,534,021	--	321,534,021	292,875,160
Supporting Service				
General and administrative	8,815,817	--	8,815,817	7,650,323
Total Expenses	330,349,838	--	330,349,838	300,525,483
Change in Net Assets	--	7,804	7,804	8,849
Net Assets – Beginning	--	192,824	192,824	183,975
Net Assets – Ending	$ --	$ 200,628	$ 200,628	$ 192,824

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

GOLDEN GATE REGIONAL CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018
	Program Services	General and Administrative	Total	Total
Salaries and Related Expenses				
Salaries	$ 10,141,456	$ 4,994,929	$ 15,136,385	$ 14,763,041
Employee health and retirement benefits	2,628,407	1,569,322	4,197,729	4,128,296
Payroll taxes	125,013	66,444	191,457	187,353
Total Salaries and Related Expenses	12,894,876	6,630,695	19,525,571	19,078,690
Purchase of Services:				
Other purchased services	160,627,538	--	160,627,538	147,743,706
Residential care facilities	108,774,719	--	108,774,719	94,189,206
Day programs	34,601,333	--	34,601,333	34,265,261
Facility rent	2,638,719	540,460	3,179,179	2,249,304
Consultant fee	444,180	464,783	908,963	710,202
Legal fees	32,877	624,660	657,537	581,562
General and Board of Directors	363,439	59,487	422,926	283,787
Equipment purchases	278,633	57,069	335,702	177,529
Communication	257,899	52,823	310,722	250,059
Staff travel	164,644	33,722	198,366	223,353
Insurance	58,583	115,877	174,460	188,454
Data processing	128,083	26,234	154,317	168,728
Equipment rental	106,991	21,914	128,905	145,644
General office expenses	100,809	20,648	121,457	49,708
ARCA dues	--	68,389	68,389	68,389
Accounting fees	--	67,585	67,585	64,350
Equipment and facility maintenance	33,484	6,858	40,342	37,426
Bank charges	--	21,878	21,878	10,847
Printing	13,354	2,735	16,089	17,787
Help fund expenses	13,860	--	13,860	9,803
Interest expense	--	--	--	11,688
Total Expenses	$ 321,534,021	$ 8,815,817	$ 330,349,838	$ 300,525,483

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

GOLDEN GATE REGIONAL CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	$ 7,804	$ 8,849
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Contract reimbursement receivable	(41,118,930)	28,532,284
Client funds receivable	(67,993)	(11,124)
Receivable from Intermediate Care Facilities	(395,697)	689,664
Prepaid and other expenses	141,719	(108,542)
Accounts payable and other liabilities	2,620,590	1,188,861
Accrued vacation	137,681	91,320
Deferred rent	570,501	(145,337)
Net Cash Provided by (Used in) Operating Activities	(38,104,324)	30,245,975
Cash Flows From Financing Activities		
Proceeds from contract advance	74,829,950	43,142,706
Repayment of contract advance	(42,984,823)	(68,189,900)
Net Cash Provided by (Used in) financing activities	31,845,127	(25,047,194)
Net Increase (Decrease) in Cash and Cash Equivalents	(6,259,198)	5,198,781
Cash and Cash Equivalents - Beginning	18,432,312	13,233,531
Cash and Cash Equivalents - Ending	$ 12,173,114	$ 18,432,312
Supplemental Disclosures of Cash Flow Information		
Statement of Financial Position Presentation:		
Cash and cash equivalents	$ 11,153,032	$ 17,412,230
Cash and cash equivalents held for CPPDD	1,020,082	1,020,082
Total	$ 12,173,114	$ 18,432,312

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND ORGANIZATION

Organization

Golden Gate Regional Center, Inc. (the Center) was incorporated on November 10, 1977 as a California nonprofit corporation. The Center was organized in accordance with the provision of the Lanterman Developmental Disabilities Services Act (the Lanterman Act) of the Welfare and Institutions Code of the State of California. In accordance with the Lanterman Act, the Center coordinates through outside providers diagnostic and assessment of eligible services to persons with developmental disabilities and plans, accesses, coordinates and monitors services to such individuals and their families. The Center is one of 21 regional centers within the State of California system and serves Marin, San Francisco, and San Mateo Counties.

Governance

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

Mission Statement

The Center's mission statement is as follows:

Golden Gate Regional Center was organized as a non-profit corporation to build inclusive communities by connecting and developing innovative services and support responsive to the needs and aspirations of individuals with intellectual and developmental disabilities, and their families while educating and informing all community members about the rights, value and potential of human diversity.

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

STATE OF CALIFORNIA CONTRACT

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

The Center's contracts with DDS total $316,084,689, $294,055,837, and $287,516,500, for the 2018/19, 2017/2018 and 2016/2017, contract years, respectively, and are subject to budget amendments. As of June 30, 2019, actual net expenditures under the 2018/2019, 2017/18, and 2016/2017, contracts were $312,357,892, $286,547,889, and $243,516,111, respectively.

BASIS OF ACCOUNTING

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

CLASSIFICATION OF NET ASSETS

The Center's net assets are reported as follows:

Without Donor Restrictions

Those net assets and activities which represent expendable funds for operations related to the DDS contract, Community Placement Plan (CPP), and a federally funded program. As of June 30, 2019, there were no net assets without donor restrictions at the Center.

With Donor Restrictions

Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of June 30, 2019, the Center had no net assets with donor restrictions that were required to be maintained in perpetuity

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of receivables and accounts payable approximate fair value because of the short maturity of these instruments.

ESTIMATES

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

CASH AND CASH EQUIVALENTS

The Center considers all financial instruments purchased with a maturity of three months or less to be cash equivalents.

CONTRACT REIMBURSEMENT AND OTHER RECEIVABLES

The majority of the Center's receivables represents or relates to the cost-reimbursement contract with DDS. Management believes that the receivables are fully collectible and, therefore, has not provided an allowance for doubtful accounts.

STATE EQUIPMENT

Pursuant to the terms of the DDS contract, equipment purchases become the property of the State of California and, accordingly, are charged as expenses when incurred. The Center capitalizes items which cost more than $5,000 and have an estimated useful life of more than one year. For the year ended June 30, 2019, there were no equipment purchases and no disposed equipment. The aggregate equipment costs at June 30, 2019, totaled $1,648,926.

ACCRUED VACATION AND OTHER LEAVE BENEFITS

The Center has accrued a liability for vacation and sick leave benefits earned which is reimbursable under the DDS contract; however, such benefits are reimbursed under the DDS contract only when actually paid. The Center accrues vacation as earned up to 480 hours and sick leave for employees who are employed for five years or more. When the employee separates from service, the employee will receive the unused vacation and 1% of their accrued sick leave for each year employed by the Center.

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

DEFERRED RENT

The Center leases office facilities under lease agreements that are subject to scheduled acceleration of rental payments. The scheduled rent increases are amortized evenly over the term of the lease in accordance with U.S. GAAP. The deferred rent liability of $1,527,810 at June 30, 2019, represents the difference between the cash payments made and the amount expensed since inception of the lease. The DDS contract reimburses the Center for rent after it is paid and this amount is included in contract reimbursement receivable on the statement of financial position.

REVENUE RECOGNITION - GRANTS

The Center recognizes revenue based upon costs incurred. Depending on the date of service, claims related to the DDS grant are classified and charged to the appropriate contract as follows:

- Current year
- Prior year
- Second prior year

CONTRIBUTIONS

The Center recognizes all contributions when they are received or unconditionally promised. Contributions without donor-imposed restrictions are reported as support without donor restrictions. Contributions with donor-imposed restrictions are reported as support with donor restrictions.

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

FEDERAL GRANTS

The Center is a sub-recipient to DDS with regard to the following grant:

U.S. Department of Education

The Office of Special Education Programs provides the Grants for Infants and Families, Part C, which provides funding for early intervention services for infants and toddlers, through age three, as authorized by Public Law 102-119.

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

INCOME TAXES

The Center is a qualified organization exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code (IRC) and franchise taxes under §23701d of the California Revenue and Taxation Code. Accordingly, it is exempt from federal and California income taxes and is not liable for federal unemployment taxes. The Center also has no unrelated business income.

Management evaluated the Center's tax positions and concluded that they maintained their tax exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The tax returns of the Center are subject to examination by federal and state taxing authorities; however, there are currently no examinations pending or in progress.

CONCENTRATIONS OF CREDIT RISK

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

FUNCTIONAL ALLOCATION OF EXPENSES

The Center's sole program is to coordinate through outside providers diagnostic and assessment of eligible services to persons with developmental disabilities and plan, access, coordinate and monitor services to such individuals and their families. The cost of providing this program and supporting activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses by major program. Accordingly, certain costs are generally allocated among the program and supporting service benefited based on an analysis of personnel time and square footage occupied by the program.

SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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

RECENT ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. The Center has adjusted the presentation of these financial statements accordingly. The Center has also modified the presentation of the summarized comparative totals for 2018 to be consistent with the presentation under ASU 2016-14. However, the summarized comparative totals for 2018, total assets, liabilities, support and revenue and expenses are consistent with the audited financial statement from which they are derived.

NEW ACCOUNTING STANDARDS

FASB issued new guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, concerning recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. The guidance is applicable for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

FASB issued ASU 2016-02 *Leases (Topic 842)*. Entities that hold equipment and real estate leases, in particular those with operating leases, will be most affected by the new guidance. The amendments in ASU 2016-02 are expected to impact the balance sheet by adding lease-related assets and liabilities. This may affect the compliance with contractual agreements and loan covenants. Current U.S. GAAP requires only capital (finance) leases to be recognized in the balance sheet and amounts related to operating leases largely are reflected in the statement of operations and changes in net assets as rent expense and in disclosure to the financial statements.

For operating leases, a lessee is required to do the following:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the balance sheet.
- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis.
- Classify all cash payments within operating activities in the statement of cash flows.

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

NEW ACCOUNTING STANDARDS (CONTINUED)

In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply.

An entity that elects to apply practical expedients will use the effective date of the new leases standard as the date of initial application and will not have to adjust their comparative period financial statements for the effects of the new leases standard, or make the new required lease disclosures for periods before the effective date. The new transition method changes when an entity initially applies the transition requirements of ASC 842; however, it does not change how those requirements are applied.

Entities that elect this transition option will include the disclosures that were required under ASC 840 for each comparative period presented in the financial statements prepared post-adoption, as well as the prior year annual balance sheet disclosures (e.g. operating and/or capital lease maturity tables). The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019. Early application is permitted. Management is evaluating the impact of this new guidance.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 applies to all entities, including business entities that receive or make contributions of cash and other assets (except for transfers of assets from government entities to business entities).

ASU 2018-08 provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. Making this determination is important because distinguishing between contributions and exchange transactions determines which guidance is applied.

For contributions, an entity should follow the guidance in FASB ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*, whereas, for exchange transactions, an entity should follow other guidance (for example, FASB ASC 606, *Revenue from Contracts with Customers*).

ASU 2018-08 could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current U.S. GAAP. Accounting for the grant or contract as a contribution is expected to be less costly than applying FASB ASC 606 (including the additional disclosure requirements).

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

NEW ACCOUNTING STANDARDS (CONTINUED)

ASU 2018-08 also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The ASU requires entities to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Additionally, ASU 2018-08 modifies the simultaneous release option currently in U.S. GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions, if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns.

A not-for-profit organization that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market would apply the new standard for transactions in which the entity serves as a resource recipient to annual reporting periods beginning after June 15, 2018, including interim periods within that annual period.

Other organizations would apply the standard to annual reporting periods beginning after December 15, 2018.

NOTE 2 - CONTRACT REIMBURSEMENT RECEIVABLE

Contract reimbursement receivable consists of the following at June 30, 2019:

Claims submitted:	
Current year	$ 87,504,129
Prior year	2,694,630
Second prior year	2,101,199
Reimbursable expenses not yet submitted	3,397,145
Total	$ 95,697,103

NOTE 3 - INTERMEDIATE CARE FACILITIES - STATE PLAN AMENDMENT

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

NOTE 3 - INTERMEDIATE CARE FACILITIES - STATE PLAN AMENDMENT (CONTINUED)

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

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

Effective July 1, 2012, DDS directed the Center to prepare billings for these services on behalf of the ICFs and submit a separate state claim report for these services in addition to paying the ICF directly for their services. The Center was directed to reduce the amount of their regular state claim to DDS by the dollar amount of these services. Reimbursement for these services will be received from the ICFs. DDS advances the amount according to the state claim to the ICFs. The ICFs are then required to pass on the payments received, as well as the Center's administrative fee to the Center within 30 days of receipt of funds from the State Controller's Office.

The Center's activity related to the above funding at June 30, 2019, is as follows:

Receivable from ICF:

Beginning Balance	**$ 2,205,857**
Total billed from vendors for the year ended June 30, 2019	6,372,718
Amount remitted by vendors	(5,977,021)
Ending Balance	$ 2,601,554

NOTE 4 - LINE OF CREDIT

On April 1, 2019, the Center entered into a revolving line of credit agreement with the Bank of Tokyo-Mitsubishi UFJ, Ltd. in the amount of $22,000,000. Funds drawn on the line bear interest at the bank's reference rate of interest that is equivalent to the U.S. prime rate ranging from 5.00% to 5.50% per annum over the period of the agreement and secured by all assets of the Center, which expired on September 30, 2019. The terms of the agreement included certain non-financial covenants. The Center was in compliance with all covenants at November 26, 2019. There was no outstanding balance on the line of credit at June 30, 2019.

NOTE 5 - CONTRACT ADVANCE

Contract advance represents funds DDS advances to the Center at the beginning of each fiscal year to provide interest-free working capital. DDS uses its discretion in determining the balance on a month-to-month basis. If DDS so chooses, the advance can be paid by off-setting claim reimbursements partially or in full or require the Center to make a payment. As of June 30, 2019, contract advance balance totaled $80,613,747.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019, the net assets with donor restrictions were comprised of $200,628 of unspent donations available for the benefits of its clients.

NOTE 7 - EMPLOYEE BENEFIT PLAN

The Center maintains a contributory, IRC §403(b) defined contribution retirement plan (the Plan). The Plan is administered by Nationwide Investment Services Corporation. All employees are eligible to participate in the Plan upon employment by the Center. The Center contributes an amount equal to 10% of each employee’s gross salary to the Plan. Total contributions for the year ended June 30, 2019, totaled $1,586,041.

NOTE 8 - OPERATING LEASES

In March 2013, the Center entered into a nine year lease agreement for its San Francisco office at 1355 Market Street starting July 2013, with monthly base rent ranging from $92,596 to $114,848, expiring in December 2021. In April 2019, the lease was modified for a term of 12 years with monthly rent ranging from $164,109 to $331,870, expiring December 2033. In addition, the Center is subject to its share of the utilities, certain operating expenses, and real estate taxes in excess of the base rent.

In July 2013, the Center entered in to a lease agreement for office space in Marin County commencing July 1, 2013 through October 31, 2018, with monthly rent ranging from $15,417 to $17,873. In July 2018, the Center amended its lease for an additional 10 years with monthly rent ranging from $17,353 to $40,571, expiring October 31, 2028.

In July 2016, the Center renewed its lease agreement for office space in San Mateo County, for a term of seven years with monthly rent ranging from $59,327 to $70,840, expiring June 2023. In June 2018, the Center entered into a lease agreement for additional office space for five years, resulting in an adjusted total monthly rent ranging from $70,331 to $79,159 effective July 2018.

NOTE 8 - OPERATING LEASES (CONTINUED)

The Center also has an operating lease for office equipment with monthly payments of $9,123. The lease expires September 2023.

Future obligations on leases in effect at June 30 are as follows:

For the Years Ending December 31,		
2020	$	3,214,268
2021		3,516,366
2022		3,872,073
2023		4,219,437
2024		3,282,224
Thereafter		31,888,557
Total	$	49,992,925

Rent expense for the year ended June 30, 2019, totaled $3,179,179.

NOTE 9 - COMMUNITY PROGRAM FOR PERSONS WITH DEVELOPMENTAL DISABILITIES

BACKGROUND

In March 2006, the Bay Area Housing Plan (BAHP) was developed by the Center, Regional Center of the East Bay, Inc. (RCEB) and San Andreas Regional Center (SARC) (collectively the Regional Centers), working in collaboration under the Bay Area Unified Plan.

The BAHP was established to provide affordable, community based housing for people with developmental disabilities in the San Francisco Bay Area, through a Housing Development Agreement among the Regional Centers and a master developer (the Agreement). The BAHP meets the requirements to provide housing to people with developmental disabilities under AB 2100, as codified in Welfare and Institutions Code §4688.5.

The initial beneficiaries of the BAHP were the residents of the Agnews Developmental Center (Agnews) in San Jose, California as they were transitioned to community housing from Agnews due to its scheduled closure. The BAHP established the strategy and timeline for the acquisition, construction, and financing for the completion of homes for these residents. All of the residents have been successfully transitioned out of Agnews.

The Regional Centers determined, in their discretion, the types, amounts, and locations of these residences. A total of 60 properties were purchased and developed by the master developer.

NOTE 9 - COMMUNITY PROGRAM FOR PERSONS WITH DEVELOPMENTAL DISABILITIES (CONTINUED)

BACKGROUND (CONTINUED)

For the purpose of managing the Regional Centers' responsibilities under the Agreement, the Regional Centers formed a Steering Committee, which is comprised of the three Executive Directors of the Regional Centers. The Steering Committee has the authority to administer the Agreement and bind the Regional Centers to the terms and conditions of the Agreement. The Steering Committee makes all decisions by consensus where possible, but may also act by a majority vote. Notwithstanding the foregoing, if the action to be taken by the Steering Committee concerns a specific property located within a Regional Center's catchment area, the Executive Director for that Regional Center must vote in favor of such action for it to be binding on the Steering Committee.

Three non-profit organizations (NPOs) acquired fee title to the properties from the master developer. The NPOs were:

- Bay Area Housing Corporation (BAHC), which acquired 32 residences in SARC's catchment area.
- Housing Consortium of the East Bay (HCEB), which acquired 15 residences in RCEB's catchment area.
- West Bay Housing Corporation (WBHC), which acquired 13 residences in the Center's catchment area.

Subsequently, the NPOs conveyed their ownership interests in the residencies to three single member limited liability companies (the LLCs), each owned by its respective NPO. The LLCs are:

- Casa Milagro LLC, owner of 32 residences (from BAHC)
- Inclusive Communities East Bay, LLC, owner of 15 residencies (from HCEB)
- A Home for Life, LLC, owner of 13 residences (from WBHC)

The LLCs lease such properties to the Regional Centers' service providers under 60 long-term operating leases. The service providers operate the properties for the benefit of consumers who receive service fees from the Regional Centers.

The leases will terminate on the 17th anniversary of their commencement dates or 18 months after the date that the applicable LLC/landlord fully repays the current lender's permanent financing (discussed below).

NOTE 9 - COMMUNITY PROGRAM FOR PERSONS WITH DEVELOPMENTAL DISABILITIES (CONTINUED)

BACKGROUND (CONTINUED)

All of the 60 properties are encumbered by Lease Assurance Covenants, Conditions and Restrictions, and a Memorandum of Agreement and Lease which provides, among other things, that the use of each property shall be solely for the benefit of qualified individuals with developmental disabilities in perpetuity, in compliance with the requirements in Welfare and Institutions Code §4688.5.

The master developer borrowed funds from Bank of America to acquire and develop the 60 properties. California Housing Finance Agency (CalHFA) then lent funds to the LLCs to refinance the Bank of America loans. CalHFA's loans remained in effect until February 18, 2011, when they were paid off through the bond financing discussed below.

BOND FINANCING

In December 2010, the California Health and Human Services Agency (CHHSA) and DDS provided their approval for the LLCs to obtain bond financing to refinance the CalHFA loans.

In the refinance plan and thereafter, the BAHP is referred to as the Community Placement Plan for Individuals with Developmental Disabilities (CPPDD).

In the refinance plan dated February 1, 2011, the California Health Facilities Finance Agency (CHFFA) agreed to loan $76,970,000 to the LLCs through the issuance of insured revenue bonds. The Office of Statewide Health Planning and Development (OSHPD) provided loan insurance for the bonds. The bonds were issued as:

- $44,725,000 Taxable Series 2011A due at various dates, with interest rates ranging from 4.00% up to 6.25%, with the longest term bonds due on February 1, 2026.
- $32,245,000 Taxable Series 2011B due at various dates, with interest rates ranging from 3.30% up to 8.00%, with the longest term bonds due on February 1, 2026.

The Bond trustee is U.S. Bank National Association (Bond trustee).

CHFFA issued the bonds to investors, and lent the proceeds from the sale of the bonds to the LLCs, on or about February 18, 2011. The loans from CHFFA to each LLC repaid the CalHFA loans in full and also covered one year of required debt reserves and other costs and expenses.

Responsibility for repayment of the loans for these bonds has been divided among the LLCs. The Loan Agreements call for monthly payments by each LLC. Each loan is secured by, among other things, deeds of trust on the residences and a pledge of the LLCs' gross revenues.

NOTE 9 - COMMUNITY PROGRAM FOR PERSONS WITH DEVELOPMENTAL DISABILITIES (CONTINUED)

BOND FINANCING (CONTINUED)

CHFFA, DDS, the Regional Centers and the LLCs all agreed that the LLCs would obtain insurance for the payment of the Bonds from the OSHPD's Cal-Mortgage Loan Insurance Division. As partial consideration for the bond insurance the Regional Centers and the LLCs entered into a Regulatory Agreement with CHFFA and OSHPD that contains financial and reporting covenants, payment obligations and use restrictions consistent with the Welfare and Institutions Code §4688.5.

As further consideration for the bond insurance the Regional Centers and the LLCs agreed to the following:

1) The Regional Centers executed a Lender Lease Assurance Agreement, whereby the Regional Centers unconditionally agreed, jointly and severally to pay the rent and other obligations of all service providers under all leases should the service providers fail to meet such obligations. This is relevant, since the LLCs rely on the receipt of such rent to repay the bond financing.

2) The Regional Centers agreed to maintain a liquidity operating fund in three separate accounts (one for each Regional Center), in the aggregate sum of $5,000,000. CHFFA and OSHPD have the right to draw on the liquidity operating fund to cure any defaults by the LLCs under the loan documents. Subject to such right, the Regional Centers' use of these funds are unrestricted; however each Regional Center must replenish any withdrawal from its liquidity operating fund necessary to maintain the required initial balance within twelve months from the date of such withdrawal. The Center's share of the liquidity operating fund is $1,020,082 and included in the statement of financial position. The remaining share of the fund is funded by RCEB and SARC.

3) Both the Regional Centers and the LLCs agreed to indemnify CHFFA and OSHPD for any post foreclosure transfer environmental losses.

The Regional Centers remit payments to each service provider for the services they provide to the consumers residing in the properties. The service providers then use such funds and other funds available to them to cover their costs, including their rent under the leases. Under each lease the applicable service provider is responsible for paying both the monthly base rent (which is equal to the monthly debt service payable to the Bond trustee) and additional charges as defined in the lease, including property taxes (if applicable), insurance and a replacement reserve (which is a minimum of $2,400 a year for each property). The LLCs, in turn, use the rents they receive under the leases to repay the CHFFA loans.

Due to the timing of the bond financing, one additional advance payment for loan interest and property taxes was required to be made to the Bond Trustee via rent under the leases.

NOTE 9 - COMMUNITY PROGRAM FOR PERSONS WITH DEVELOPMENTAL DISABILITIES (CONTINUED)

BOND FINANCING (CONTINUED)

The Center made this payment via advances to its service providers, which was then forwarded to the Bond Trustee. The service providers will repay these receivables to the Center at the end of the bond financing term, via applicable offsets that the Center will apply against funds it owes to the service providers under the Service Provider Agreements. At June 30, 2019, CPPDD vendor advances – other totaled $67,269 and is included in prepaid and other expenses on the statement of financial position.

NOTE 10 - CONTINGENCIES

LITIGATION

The Center is involved in legal actions in the normal course of business. It is management's opinion that the resolution of such matters is either covered by insurance or will not have a material impact on the financial position, result of operation or cash flows.

FUNDING

The majority of the Center's funding is provided under annual grants and contracts with federal and California agencies. If a significant reduction in the level of funding provided by these governmental agencies were to occur, it would have a negative effect on the Center's programs and activities.

The Center's contract with DDS provides funding for services under the Lanterman Act. In the event that the operations of the Center result in a deficit position at the end of the contract year, DDS may reallocate surplus funds within the State of California system to supplement the Center's funding. Should a system-wide deficit occur, DDS is required to report to the Governor of California and the appropriate fiscal committee of the State Legislature and recommend actions to secure additional funds or reduce expenditures. DDS recommendations are subsequently reviewed by the Governor and the Legislature and a decision is made with regard to specific actions, including the possible suspension of the entitlement.

The Center's revenue, which is derived from restricted funding provided by government grants and contracts, is subject to audit by the governmental agencies. In accordance with the terms of the DDS contract, an audit may be performed by an authorized DDS representative. Should such an audit disclose any unallowable costs, the Center may be liable to the State of California for reimbursement of such costs. In the opinion of the Center's management, the effect of any disallowed costs would be immaterial to the financial statements as of June 30, 2019, and for the year then ended.

NOTE 11 - AVAILABILITY AND LIQUIDITY

The Center regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Center's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2019, were as follows:

Cash and cash equivalents	$ 11,153,032
Contract reimbursement receivable, net of contract advance	15,083,356
Accounts receivable from Intermediate Care Facilities	2,601,554
Accounts receivable from client funds	147,777
Total Financial Assets Available Within One Year	28,985,719
Less: Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	(200,628)
Financial Assets Available to Meet General Expenditures Within One Year	$ 28,785,091

The Center has various sources of liquidity at its disposal, including cash and receivables which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Center throughout the year. This is done through monitoring and reviewing the Center's cash flow needs on a daily basis. To help manage unanticipated liquidity needs, the Center has a committed line of credit of $22,000,000, of which all was unused and available to draw upon as of June 30, 2019. The Center's used line of credit is secured by all assets of the Center.

NOTE 12 - RECLASSIFICATION

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Such reclassifications had no effect on net assets.

NOTE 13 - SUBSEQUENT EVENTS

The Center has evaluated all subsequent events through November 26, 2019, the date the financial statements were available to be issued, and did not identify any events requiring adjustment to, or disclosure in the financial statements.

GOLDEN GATE REGIONAL CENTER, INC.

SCHEDULE OF PURCHASE OF SERVICES EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

Other Purchased Services	
Home and hospital care programs	$ 740,099
Camps	147,375
Medical Care:	
Professional	3,652,563
Programs	604,849
Medical equipment	334,530
Nonmedical:	
Professional	5,020,252
Programs	42,229,149
Other authorized services	65,745,093
Personal and incidental	57,380
Prevention services	8,900,916
Respite	12,765,673
Transportation	20,429,659
Total Other Purchased Services	$ 160,627,538
Residential Care Facilities	
Community care facility	$ 107,787,731
ICF/Skilled nursing facility	986,988
Total Residential Care Facilities	$ 108,774,719
Day Programs	$ 34,601,333

See independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Golden Gate Regional Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Golden Gate Regional Center, Inc. (the Center), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

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

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

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

MARCUMGROUP
MEMBER

Marcum LLP ▪ 1899 L Street, NW ▪ Suite 850 ▪ Washington, DC 20036 ▪ Phone 202.227.4000 ▪ Fax 202.227.4001 ▪ www.marcumllp.com

Compliance and Other Matters

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

Purpose of This Report

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

Marcum LLP

Washington, DC
November 26, 2019

MARCUM
ACCOUNTANTS ▲ ADVISORS

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

To the Board of Directors of
Golden Gate Regional Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited Golden Gate Regional Center Inc.'s (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2019. The Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Marcum LLP

Washington, DC
November 26, 2019

GOLDEN GATE REGIONAL CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided Subrecipients	Federal Expenditures
Office of Special Education and Rehabilitative Services of the Department of Education passed-through to State of California Department of Developmental Services:				
Early Intervention Services:				
Special Education – Grants for Infants and Families	84.181	HD149006	$ --	$ 1,812,591
Total Expenditures of Federal Awards			$ --	$ 1,812,591

See independent auditors' report and notes to the schedule of expenditures of federal awards.

GOLDEN GATE REGIONAL CENTER, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Golden Gate Regional Center, Inc. (the Center). The information in this schedule is presented in accordance with the requirements Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST RATE

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

GOLDEN GATE REGIONAL CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether financial statements audited were prepared in accordance with GAAP:	X	Unmodified		Qualified
		Adverse		Disclaimer
Internal control over financial reporting:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major federal programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None Reported
Type of auditors' report issued on compliance for major federal programs:	X	Unmodified		Qualified
		Adverse		Disclaimer
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?		Yes	X	No

Identification of Major Federal Program:

CFDA Number	Program Title(s)
84.181	Special Education – Grants for Infants and Families

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as a low-risk auditee?	X	Yes		No

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None required to be reported.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.