



(A California Nonprofit Public Benefit Corporation)

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED INFORMATION FOR THE
YEAR ENDED JUNE 30, 2021**

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

With Summarized Information for the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Golden Gate Regional Center, Inc., a California nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Golden Gate Regional Center, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Golden Gate Regional Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Golden Gate Regional Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Golden Gate Regional Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 19 is presented for the purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 20, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 Golden Gate Regional Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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 15, 2022 on our consideration of Golden Gate Regional Center, Inc.'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 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 Golden Gate Regional Center, Inc.'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 Golden Gate Regional Center, Inc.'s internal control over financial reporting and compliance.

Sindquist, von Husen and Joyce LLP

November 15, 2022

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
With Summarized Information at June 30, 2021

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 44,186,953	\$ 30,815,112
Cash held for Community Placement Plan for Individuals with Developmental Disabilities (CPPDD) (Note 10)	1,020,082	1,020,082
Receivables:		
Contract reimbursement receivable (Note 3)	114,616,611	90,864,246
Client funds receivable	13,933	13,932
Receivable from Intermediate Care Facilities (Note 4)	3,582,910	3,156,025
Prepaid and other expenses	419,978	3,790
Security deposits	7,035	7,035
Total assets	\$ 163,847,502	\$ 125,880,222
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,538,566	\$ 32,117,263
Contract advance (Note 6)	123,325,130	89,233,129
Accrued vacation and other leave benefits	2,385,133	2,485,460
Deferred rent liability (Note 8)	2,431,670	1,845,717
Total liabilities	163,680,499	125,681,569
Net assets:		
With donor restrictions (Note 9)	167,003	198,653
Total net assets	167,003	198,653
Total liabilities and net assets	\$ 163,847,502	\$ 125,880,222

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

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

With Summarized Information for the Year Ended June 30, 2021

	2022			2021
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Total</i>
Support and revenue:				
Grants – State DDS	\$ 408,839,451	\$ -	\$ 408,839,451	\$ 392,670,932
Grants – Federal	1,705,917	-	1,705,917	1,989,924
Intermediate Care Facilities (ICF)	8,554,425	-	8,554,425	8,628,130
Interest	23,056	-	23,056	26,973
ICF processing income	122,058	-	122,058	137,785
Donations and gifts	-	10,492	10,492	17,155
Other income	3,957	-	3,957	5,904
Net assets released from restrictions	42,142	(42,142)	-	-
Total support and revenue	419,291,006	(31,650)	419,259,356	403,476,803
Expenses:				
Program services:				
Direct client services	415,698,471	-	415,698,471	400,151,601
Supporting services:				
Management and general	3,592,535	-	3,592,535	3,342,064
Total expenses	419,291,006	-	419,291,006	403,493,665
Change in net assets	-	(31,650)	(31,650)	(16,862)
Net assets, beginning of year	-	198,653	198,653	215,515
Net assets, end of year	\$ -	\$ 167,003	\$ 167,003	\$ 198,653

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

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

With Summarized Information for the Year Ended June 30, 2021

	2022			2021
	<i>Program Services</i>	<i>Management and General</i>	<i>Total</i>	<i>Total</i>
Salaries and related expenses:				
Salaries	\$ 16,011,090	\$ 1,744,811	\$ 17,755,901	\$ 16,222,114
Employee health and retirement benefits	4,611,970	521,315	5,133,285	4,805,279
Payroll taxes	218,100	24,087	242,187	220,708
Total salaries and related expenses	20,841,160	2,290,213	23,131,373	21,248,101
Purchase of services:				
Residential care facilities	139,232,661	-	139,232,661	132,742,006
Day programs	52,118,473	-	52,118,473	51,979,513
Other purchased services	197,046,003	-	197,046,003	190,707,726
Facility rent	3,644,531	400,903	4,045,434	3,526,971
Consultant fee	1,071,768	117,896	1,189,664	1,014,990
Legal fees	-	505,184	505,184	611,048
Communication	286,895	31,559	318,454	355,081
General and Board of Directors	275,699	30,327	306,026	481,780
Insurance	259,230	28,516	287,746	195,074
Staff travel	41,280	4,386	45,666	55,904
Equipment rental	146,444	16,109	162,553	153,856
Data processing	447,306	49,204	496,510	144,198
General office expenses	146,640	16,131	162,771	7,577
Equipment purchases	62,220	6,844	69,064	40,698
Accounting fees	-	67,495	67,495	71,138
ARCA dues	-	-	-	68,389
Help fund expenses	42,142	-	42,142	34,017
Equipment and facility maintenance	23,850	2,624	26,474	8,462
Bank charges	-	83	83	3,354
Printing	12,169	1,339	13,508	8,101
Interest	-	23,722	23,722	35,681
Total expenses	\$ 415,698,471	\$ 3,592,535	\$ 419,291,006	\$ 403,493,665

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

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

With Summarized Information for the Year Ended June 30, 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (31,650)	\$ (16,862)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in assets:		
Contract reimbursement receivable	(23,752,365)	7,271,772
Client funds receivable	(1)	53,828
Receivable from Intermediate Care Facilities	(426,885)	513,001
Prepaid expenses	(416,188)	271,778
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	3,421,303	318,539
Accrued vacation and other leave benefits	(100,327)	278,282
Deferred rent liability	585,953	317,907
	(20,720,160)	9,008,245
Net cash provided by (used in) operating activities		
Cash flows from financing activities:		
Proceeds from contract advance	113,747,017	100,190,173
Repayment of contract advance	(79,655,016)	(104,239,435)
	34,092,001	(4,049,262)
Net cash provided by (used in) financing activities		
Increase in cash	13,371,841	4,958,983
Cash, beginning of year	31,835,194	26,876,211
Cash, end of year	\$ 45,207,035	\$ 31,835,194
Cash	\$ 44,186,953	\$ 30,815,112
Cash held for Community Placement Plan for Individuals with Developmental Disabilities (CPPDD)	1,020,082	1,020,082
Total cash shown in the statement of cash flows	\$ 45,207,035	\$ 31,835,194

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

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Golden Gate Regional Center, Inc. (the Center), was incorporated on November 10, 1977 as a California nonprofit public benefit corporation under contract with the State of California Department of Developmental Services (DDS) for the purpose of operating the Center and related activities. 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 the counties of Marin, San Francisco, and San Mateo.

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% of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25% of the members of the governing board shall be persons with developmental disabilities. In addition, a member of a required advisory committee composed of persons representing the various categories of providers from which the Center purchases client services, shall serve as a member of the board. To comply with the Lanterman Act, the Center’s board of directors includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Center and a client service provider of the Center.

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 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

State of California Contract

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

Under the terms of these contracts, funded expenditures are not to exceed \$465,216,303, \$409,365,886, and \$388,210,148 for the FY 2021-2022, FY 2020-2021, and FY 2019-2020 contract years, respectively, and are subject to budget amendments. As of June 30, 2022, actual net expenditures under the FY 2021-2022, FY 2020-2021, and FY 2019-2020 contracts were \$400,076,119, \$394,336,245, and \$360,365,010, respectively. The unexpended balance under these contracts amounting to \$65,140,184, \$15,029,641, and \$27,845,138 for the FY 2021-2022, FY 2020-2021, and FY 2019-2020 contract years, represents a conditional contribution that will be used to fund expenditures in the next fiscal years until the contract amounts are fully expended or expire. The Center can bill DDS in the future for expenses relating to previous fiscal years if the expenses billed relate to the previous fiscal year. As a result, the Center internally tracks revenue by current year, previous year and second previous year.

Accounting Method

The Center uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Center reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Center.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. 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. When a donor restriction expires – that is, when a stipulated time restrictions ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Revenue Recognition:

Contributions

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as support without donor restrictions.

Government contracts, which are funded on a reimbursement basis, are shown as revenue without donor restriction. A portion of the Center'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 Center has incurred expenditures in compliance with specific contract or grant provisions.

Governmental contract revenue represents unconditional contributions to the extent that reimbursable costs have been incurred. The excess unexpended balance of the governmental contracts represents a conditional contribution.

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Federal Grants

U.S. Department of Education

The Center is a sub-recipient to DDS with regard to the Special Education Grants for Infants and Families, Part C, which provides funding for early intervention services for infants and toddlers, through age 3, as authorized by Public Law 102-119.

This grant is conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. During the years ended June 30, 2022 and 2021, the Center recognized grants revenue totaling \$1,705,917 and \$1,989,924, respectively, from this award. Amounts earned and released within the same year under conditional awards are reported as increases in net assets without donor restrictions in the accompanying statements of activities.

Cash and Restricted Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Restricted cash are funds restricted as to their use, regardless of liquidity, such as cash held for Community. The Center occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted cash, was approximately \$45,316,000 as of June 30, 2022. The Center has not experienced any losses in such accounts.

Contract and Other Receivables

The majority of the Center's receivables represents or relates to the cost-reimbursement contract with DDS. Receivables are recorded at their net realizable value. The Center uses the allowance method to account for uncollectible receivables. Management believes that the receivables are fully collectible and, therefore, has not provided an allowance for doubtful accounts as of June 30, 2022.

State Equipment

State Equipment is stated at cost of acquisition. 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 expenses the cost of equipment upon acquisition if purchased with funds from the DDS contract in accordance with the Regional Center Fiscal Manual. This departure from accounting principles generally accepted in the United States of America does not have a material impact on the financial statements. The Center capitalizes items which cost more than \$5,000 and have an estimated useful life of more than one year.

State Equipment purchases for the year ended June 30, 2022 totaled \$-0-. The State Equipment disposals for the year ended June 30, 2022 totaled \$-0-. The capitalized equipment and reciprocating offset account at June 30, 2022 totaled \$1,555,759.

Accrued Vacation, Sick and Other Leave Benefits

The Center has accrued a liability for vacation and sick leave benefits earned by employees 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.

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

Income Taxes

The Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections. Contributions to the Center qualify for the charitable contribution deduction.

The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Center's federal and state information returns for the years 2018 through 2021 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of providing program and supporting services are summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributed to a specific functional area of the Center are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Shared 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 and supporting services.

Subsequent Events

Management has evaluated subsequent events through November 15, 2022, the date on which the financial statements were available to be issued.

NOTE 3 – CONTRACT REIMBURSEMENT RECEIVABLE

Contract reimbursement receivable at June 30, 2022 is summarized, as follows:

	2022
Claims submitted:	
Current year	\$ 56,649,533
Prior year	50,794,166
Second prior year	2,356,427
Reimbursable expenses not yet submitted	4,816,485
 Total	 \$ 114,616,611

NOTE 4 – INTERMEDIATE CARE FACILITIES – STATE PLAN AMENDMENT

During the year ended June 30, 2011, various legislative changes were made to the California Welfare and Institutions Code retroactive to July 1, 2007, making Intermediate Care Facility (ICF) providers responsible for 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).

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.

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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, 2022 is summarized, as follows:

	2022
Receivable from ICF, beginning	\$ 3,156,025
Total billed from vendors	8,554,425
Amount remitted by vendors	(8,127,540)
Receivable from ICF, ending	\$ 3,582,910

NOTE 5 – LINE OF CREDIT

On May 20, 2022, the Center entered into a revolving line of credit agreement with MUFG Union Bank, N.A. in the amount of \$35,000,000 with a term beginning on June 1, 2022 and expiring on September 30, 2022. Funds drawn on this line bore interest at the bank's reference interest rate, which was equivalent to the U.S. prime rate, which was 4.75% as of June 30, 2022. Funds drawn on this line of credit were secured by all assets of the Center. The terms of the agreement included certain nonfinancial covenants. The Center was in compliance with these financial covenants as of June 30, 2022. There was no outstanding balance on the line of credit at June 30, 2022.

In addition, the Center entered into an uncommitted line of credit with MUFG Union Bank, N.A. on May 20, 2022 for \$35,000,000 with a term beginning on October 1, 2022 and expiring on May 31, 2023. Borrowing under the uncommitted line of credit is at the sole discretion of the Bank and loans under this line shall not exceed the lesser of (1) the aggregate amount of reimbursable amounts already approved by DDS or (2) amounts certified by DDS as payable to the Center under the DDS approved budgets which, in either case, must be demonstrated to the Bank in writing. Funds drawn on this line bears interest at the bank's reference interest rate, which was equivalent to the U.S. prime rate. In addition, funds drawn on this line is secured by all assets of the Center. The terms of the agreement also included certain nonfinancial covenants.

NOTE 6 – CONTRACT ADVANCES

Contract advances 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 advances can be offset by claim reimbursements partially or in full, or require the Center to make a repayment to DDS. As of June 30, 2022, the contract advances balance totaled \$123,325,130.

NOTE 7 – OPERATING LEASES

The Center has entered into a non-cancelable lease agreement through December 2033 for its San Francisco office at 1355 Market Street which includes monthly base rent ranging from \$164,108 to \$311,870.

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

The Center has also entered into a non-cancelable lease agreement for its office space in Marin County, which includes monthly rent ranging from \$31,094 to \$40,571 and expires October 2028. The Center also has a non-cancelable lease agreement for its office space in San Mateo County through June 2023 that includes monthly rent ranging from \$72,442 to \$79,159.

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

Under the terms of these leases, the Center is subject to its share of the utilities, certain operating expenses, and real estate taxes in excess of the base rents.

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

<u>For the Years Ending June 30,</u>	
2023	\$ 4,109,962
2024	3,254,856
2025	3,352,501
2026	3,453,076
2027	3,556,668
Thereafter	<u>23,093,238</u>
Total	<u>\$ 40,820,301</u>

Rent expense for the year ended June 30, 2022, totaled \$3,899,336.

NOTE 8 – DEFERRED RENT LIABILITY

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 \$2,431,670 at June 30, 2022, represents the difference between the cash payments made and the amount expensed since inception of the leases. The DDS contract will reimburse the Center for rent after it is paid, so this amount is included in contract reimbursement receivable on the statement of financial position.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022, net assets with donor restrictions totaled \$167,003 and represents donations and gifts restricted for the benefit of clients.

NOTE 10 – 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.

GOLDEN GATE REGIONAL CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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.

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 residences 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 residences (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).

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.

GOLDEN GATE REGIONAL CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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.

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.

GOLDEN GATE REGIONAL CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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.

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, 2022, CPPDD vendor advances – other totaled \$67,269 and is included in prepaid and other expenses on the statements of financial position.

NOTE 11 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the statement of financial position at June 30, 2022, comprise the following:

	2022
Financial assets at end of year available within one year:	
Cash	\$ 44,186,953
Contract reimbursement receivable, net of contract advance	(8,708,519)
Accounts receivable from Intermediate Care Facilities	3,582,910
Accounts receivable from client funds	13,933
	39,080,677
Less financial assets not available for general expenditures:	
Net assets with donor restrictions for specific purposes	(167,003)
Financial assets available for general expenditures within one year	\$ 38,913,674

Financial assets include amounts that will be used to pay accounts payable, accrued expenses and other distributions from operating cash flow, if any, in the subsequent year. 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 \$35,000,000, of which all was unused and available to draw upon as of June 30, 2022.

NOTE 12 – RETIREMENT 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, 2022, totaled \$2,186,982.

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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 may have an effect on the Center’s programs and activities.

The Center’s contract with DDS provides funding for services under the Lanterman Act. In the event that the operations of the Center result in a deficit position at the end of the contract year, DDS may reallocate surplus funds within the State of California system to supplement the Center’s funding. 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, 2022.

COVID-19 Pandemic

The emergence and spread of the coronavirus (COVID-19) has affected businesses and economic activities in the U.S. and beyond. The extent of the impact of COVID-19 on the Center’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effects on residents, supply chains, service providers, business partners, and changes in business practices, all of which are uncertain and cannot be determined at this time.

NOTE 14 – LEGAL MATTERS

The Center is involved in various claims and legal actions in the normal course of business. Based upon counsel and management’s opinion, the resolution of such matters is either covered by insurance or will not have a material adverse effect on the financial position, result of operation or cash flows.

SUPPLEMENTARY INFORMATION

GOLDEN GATE REGIONAL CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF PURCHASES OF SERVICES EXPENSE
 YEAR ENDED JUNE 30, 2022

Residential care facilities:	
Community care facility	\$ 138,506,222
ICF/Skilled nursing facility	<u>726,439</u>
Total residential care facilities	<u>\$ 139,232,661</u>
Day programs	<u>\$ 52,118,473</u>
Other purchased services:	
Nonmedical:	
Programs	\$ 51,684,466
Professional	8,383,431
Transportation	15,493,376
Respite	21,793,479
Prevention services	9,444,809
Medical care:	
Professional	6,811,873
Programs	629,089
Home and hospital care programs	328,112
Medical equipment	419,879
Camps	14,800
Personal and incidental	59,976
Other authorized services	<u>81,982,713</u>
Total other purchased services	<u>\$ 197,046,003</u>

GOLDEN GATE REGIONAL CENTER, INC.
 (A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Education:</u>				
Special Education – Grants for Infants and Families Passed-through the State of California Department of Developmental Services Early Intervention Services	84.181	HD199006	\$ 1,705,917	\$ -
<u>U.S. Department of Human Health and Services:</u>				
Provider Relief Fund COVID-19 direct award	93.948	N/A	442,362	-
TOTAL FEDERAL AWARDS			<u>\$ 2,148,279</u>	<u>\$ -</u>

GOLDEN GATE REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant and loan activities of Golden Gate Regional Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The purpose of the Schedule is to present a summary of those activities of Golden Gate Regional Center, Inc. for the year ended June 30, 2022, which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between Golden Gate Regional Center, Inc. and the federal government. Golden Gate Regional Center, Inc. did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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 to reimbursement.

GOLDEN GATE REGIONAL CENTER, INC.
 (A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance? _____ Yes X No

Identification of major programs: Name of Federal Program or Cluster

ALN 84.181 Special Education – Grants for Infants and Families

ALN 93.948 Provider Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

None noted.



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CATHY L. HWANG
RITA B. DELA CRUZ
SCOTT K. SMITH
CRISANTO S. FRANCISCO
JOE F. HUIE

SHERMAN G. LEONG

Board of Directors
Golden Gate Regional Center, Inc.
San Francisco, California

**INDEPENDENT AUDITOR’S 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**

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., which comprise the statement of financial position as of June 30, 2022, 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 November 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Golden Gate Regional Center, Inc.’s internal control over financial reporting (internal control) as a basis for designing 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 Golden Gate Regional Center, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Golden Gate Regional Center, Inc.’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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

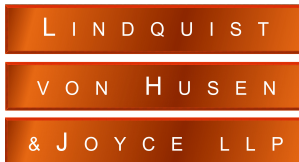
As part of obtaining reasonable assurance about whether Golden Gate Regional Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Purpose of This Report

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

Lindquist, von Husen and Joyce LLP

November 15, 2022



ALEXIS H. WONG
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Golden Gate Regional Center, Inc.
San Francisco, California

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Golden Gate Regional Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Golden Gate Regional Center, Inc.'s major federal programs for the year ended June 30, 2022. Golden Gate Regional Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Golden Gate Regional Center, Inc. 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 programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Golden Gate Regional Center, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Golden Gate Regional Center, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provision of contracts or grant agreements applicable to Golden Gate Regional Center, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Golden Gate Regional Center, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Golden Gate Regional Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Golden Gate Regional Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Golden Gate Regional Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Golden Gate Regional Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Lindquist, von Hoven and Joyce LLP

November 15, 2022