

**NORTH LOS ANGELES COUNTY
REGIONAL CENTER**

(A California Nonprofit Public Benefit Corporation)

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2025 AND 2024**

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

TABLE OF CONTENTS

	Page
Independent Auditor’s Report.....	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8
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 <i>Government Auditing Standards</i>	22
Independent Auditor’s Report on Compliance for Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	24
Schedule of Expenditures of Federal Awards.....	27
Notes to the Schedule of Expenditures of Federal Awards.....	28
Schedule of Findings and Questioned Costs.....	29
Schedule of the Status of Prior Audit Findings, Questioned Costs, and Recommendations.....	30

* * * *

LINDQUIST
VON HUSEN
& JOYCE llp

Certified Public Accountants

CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
RITA B. DELA CRUZ
SCOTT K. SMITH
CRISANTO S. FRANCISCO
JOE F. HUIE
KYLE F. GANLEY

SHERMAN G. LEONG

Board of Trustees
North Los Angeles County Regional Center, Inc.
Chatsworth, California

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of North Los Angeles County Regional Center, Inc., a California nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years 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 North Los Angeles County Regional Center, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 North Los Angeles County Regional Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 North Los Angeles County 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 North Los Angeles County 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 North Los Angeles County 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2026 on our consideration of North Los Angeles County 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 North Los Angeles County 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 North Los Angeles County Regional Center, Inc.'s internal control over financial reporting and compliance.

Sindquist, von Husen and Joyce LLP

March 11, 2026

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,947,217	\$ 26,117,156
Cash – client trust funds	8,526,796	8,752,337
Receivables:		
Contract receivable – State of California (Note 3)	109,832,750	82,066,383
Receivable from Intermediate Care Facilities	6,690,333	5,480,515
Other receivables and prepaid expenses	93,106,590	84,165,949
Due from State – accrued vacation and other employee benefits (Note 3)	31,139,224	44,481,970
Due from State – equipment financed with debt (Note 4)	576,095	771,467
Total current assets	<u>275,819,005</u>	<u>251,835,777</u>
Right-of-use assets – operating leases (Note 5)	<u>26,699,476</u>	<u>31,391,133</u>
Total assets	<u>\$ 302,518,481</u>	<u>\$ 283,226,910</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 145,781,247	\$ 114,412,909
Accrued expenses	631,868	1,861,892
Accrued vacation and other leave benefits (Note 3)	5,890,107	4,253,222
Note payable (Note 4)	576,095	771,467
Retirement health care plan obligation (Note 8)	5,056,240	10,215,401
Pension plan obligation (Note 9)	20,192,877	30,013,347
Unexpended client support	10,059,707	10,264,266
Operating lease liabilities – current portion (Note 5)	5,910,806	5,684,530
Total current liabilities	<u>194,098,947</u>	<u>177,477,034</u>
Operating lease liabilities – net of current portion (Note 5)	<u>20,788,670</u>	<u>25,706,603</u>
Total liabilities	<u>214,887,617</u>	<u>203,183,637</u>
Net assets:		
Without donor restrictions	<u>87,630,864</u>	<u>80,043,273</u>
Total net assets	<u>87,630,864</u>	<u>80,043,273</u>
Total liabilities and net assets	<u>\$ 302,518,481</u>	<u>\$ 283,226,910</u>

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

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Change in net assets without donor restrictions		
Support and revenue:		
Grants – State DDS	\$ 1,155,332,149	\$ 939,932,902
Intermediate Care Facilities (ICF)	18,895,493	13,830,773
Interest	63,926	127,982
Other income	82,773	4,056
	<u>1,174,374,341</u>	<u>953,895,713</u>
Expenses:		
Program services:		
Direct client services	1,161,843,788	940,523,428
Supporting services:		
Management and general	13,744,570	12,870,832
	<u>1,175,588,358</u>	<u>953,394,260</u>
Change in net deficit before health care and pension plan-related changes other than net period post-retirement benefit (cost) income	(1,214,017)	501,453
Health care and pension plan-related changes other than net periodic post-retirement benefit income	<u>8,801,608</u>	<u>15,584,670</u>
Change in net assets	7,587,591	16,086,123
Net assets, beginning of year	<u>80,043,273</u>	<u>63,957,150</u>
Net assets, end of year	<u>\$ 87,630,864</u>	<u>\$ 80,043,273</u>

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

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2025 AND 2024

	2025		
	<i>Program Services</i>	<i>Management and General</i>	<i>Total</i>
Salaries and related expenses:			
Salaries	\$ 53,525,912	\$ 7,720,828	\$ 61,246,740
Employee health and retirement benefits	26,291,937	2,077,236	28,369,173
Payroll taxes	754,422	111,093	865,515
Total salaries and related expenses	80,572,271	9,909,157	90,481,428
Purchase of services:			
Other purchased services	737,378,870	-	737,378,870
Residential services	180,843,088	-	180,843,088
Day program	147,904,054	-	147,904,054
Facility rent	5,961,892	353,743	6,315,635
General expenses	1,724,305	445,027	2,169,332
Equipment purchases	1,918,159	137,089	2,055,248
Contract and consulting services	2,018,399	313,578	2,331,977
Communication	1,340,787	110,063	1,450,850
Legal fees	518,205	455,397	973,602
Insurance	698,856	173,428	872,284
Data processing	-	1,048,188	1,048,188
Facility maintenance	-	277,075	277,075
Equipment rental	166,452	13,703	180,155
Office expenses	405,988	59,654	465,642
ARCA dues	-	165,713	165,713
Staff travel	353,550	51,086	404,636
Accounting fees	-	103,012	103,012
Board expenses	-	48,593	48,593
Printing	26,772	1,661	28,433
Equipment maintenance	12,140	78,403	90,543
Total expenses	\$ 1,161,843,788	\$ 13,744,570	\$ 1,175,588,358

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

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2025 AND 2024

	2024		
	<i>Program Services</i>	<i>Management and General</i>	<i>Total</i>
Salaries and related expenses:			
Salaries	\$ 41,181,657	\$ 6,530,401	\$ 47,712,058
Employee health and retirement benefits	17,801,469	2,513,278	20,314,747
Payroll taxes	582,565	93,274	675,839
Total salaries and related expenses	59,565,691	9,136,953	68,702,644
Purchase of services:			
Other purchased services	575,436,925	-	575,436,925
Residential services	174,314,894	-	174,314,894
Day program	117,619,802	-	117,619,802
Facility rent	5,642,918	319,579	5,962,497
General expenses	2,420,011	280,769	2,700,780
Equipment purchases	1,843,486	104,653	1,948,139
Contract and consulting services	1,090,808	1,464,984	2,555,792
Communication	1,256,585	110,595	1,367,180
Legal fees	307,422	246,728	554,150
Insurance	386,032	171,372	557,404
Data processing	-	325,699	325,699
Facility maintenance	-	218,147	218,147
Equipment rental	193,123	17,167	210,290
Office expenses	165,788	50,903	216,691
ARCA dues	-	163,823	163,823
Staff travel	255,577	29,599	285,176
Accounting fees	3,500	98,329	101,829
Board expenses	-	107,831	107,831
Printing	18,166	1,221	19,387
Equipment maintenance	2,700	22,480	25,180
Total expenses	\$ 940,523,428	\$ 12,870,832	\$ 953,394,260

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

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,587,591	\$ 16,086,123
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Amortization of right-of-use assets – operating lease	4,942,863	4,590,092
(Increase) decrease in assets:		
Cash – client trust funds	225,541	(412,789)
Contract receivable – State of California	(27,766,367)	(51,936,722)
Receivable from Intermediate Care Facilities	(1,209,818)	(662,060)
Other receivables and prepaid expenses	(8,940,641)	(16,086,258)
Due from State – accrued vacation and other employee benefits	13,342,746	16,841,878
Increase (decrease) in liabilities:		
Accounts payable	31,368,338	22,548,563
Accrued expenses	(1,230,024)	1,081
Accrued vacation and other leave benefits	1,636,885	889,568
Retirement health care plan obligation	(5,159,161)	(8,699,198)
Pension plan obligation	(9,820,470)	(9,032,248)
Unexpended client support	(204,559)	1,489,856
Operating lease liabilities	(4,942,863)	(4,590,092)
Net cash used in operating activities	<u>(169,939)</u>	<u>(28,972,206)</u>
Cash flows from investing activities:		
Reimbursement from State contract for equipment	195,372	172,850
Purchase of equipment	(195,372)	(172,850)
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>
Decrease in cash	(169,939)	(28,972,206)
Cash, beginning of year	<u>26,117,156</u>	<u>55,089,362</u>
Cash, end of year	<u>\$ 25,947,217</u>	<u>\$ 26,117,156</u>
Supplementary information:		
Cash paid for interest	<u>\$ 25,297</u>	<u>\$ 32,340</u>
Noncash investing and financing activities:		
Lease assets obtained in exchange for lease obligations – operating lease	<u>\$ 251,206</u>	<u>\$ 598,403</u>

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

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

North Los Angeles County Regional Center, Inc. (the Center), was incorporated on March 13, 1974 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 San Fernando, Antelope, and Santa Clarita Valleys.

The Lanterman Act includes governance provisions regarding the composition of the Center's Board of Trustees. 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 trustees 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 is to provide lifelong partnerships and planning to persons with developmental disabilities by promoting their civil and personal rights, providing comprehensive information, advocating in cooperation with consumers, promoting and providing quality of services, and supporting full participation of consumers and families in all aspects of community life.

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 expenditure under the contract is 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 \$1,124,302,731, \$992,401,261, and \$935,517,417 for the FY 2024-2025, FY 2023-2024, and FY 2022-2023 contract years, respectively, and are subject to budget amendments. As of June 30, 2025, actual net expenditures under the FY 2024-2025, FY 2023-2024, and FY 2022-2023 contracts were \$1,006,217,245, \$937,639,393, and \$912,606,472, respectively. The unexpended balance under these contracts amounting to \$118,085,486, \$55,047,043, and \$22,910,945 for the FY 2024-2025, FY 2023-2024, and FY 2022-2023 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 could 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.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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 Trustees 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 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*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

The Center had no net assets with donor restrictions as of June 30, 2025 and 2024.

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.

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.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

This grant is conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The Center recognized grants revenue totaling \$1,593,723 and \$694,192 from this award during the years ended June 30, 2025 and 2024, respectively. 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.

Leases

The accounting standard on leases, required by accounting principles generally accepted in the United States of America, requires lessees to account for leases as either finance leases or operating leases and to recognize right-of-use (ROU) assets and corresponding lease liabilities on the statement of financial position for all leases other than leases with terms of 12 months or less. For finance leases, lessees would recognize interest expense and amortization of the ROU asset, and for operating leases, lessees would recognize straight-line total rent expense. The Center does not recognize rent expense on a straight-line basis and the impact of this is not significant since there would be a corresponding adjustment to accrued revenue from the State DDS cost-reimbursement contract. The accounting standard also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases.

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. Cash held in trust for clients is not included in total cash shown on the statement of cash flows. 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 \$37,490,000 as of June 30, 2025. 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, 2025 and 2024.

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.

State Equipment purchases for the year ended June 30, 2025 and 2024 totaled \$1,067,081 and \$133,990, respectively. State Equipment disposals for the year ended June 30, 2025 and 2024 totaled \$191,602 and \$426,627, respectively. The capitalized equipment and reciprocating offset account at June 30, 2025 and 2024 totaled \$4,933,873 and \$4,058,394, respectively.

The Center also owns non-State equipment, including purchases funded by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), amounting to \$5,127,852, and \$4,978,291, for the year ended June 30, 2025 and 2024, respectively.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

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 amount of accrued vacation and other leave benefits is included in the amount due from the State of California (See Note 3).

Post-Retirement Health Care Plan and Pension Plan

The Center is required to recognize the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation, in the statement of financial position, with an offsetting charge or credit to net assets. Gains or losses, prior service costs or credits that arise during the period but are not recognized as components of net period benefit cost, will be recognized each year as a separate charge or credit to net assets.

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 2021 through 2024 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 statement of activities. The statement 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 March 11, 2026, the date on which the financial statements were available to be issued.

NOTE 3 – CONTRACT REIMBURSEMENT RECEIVABLE

The Center's primary source of revenue is from the State of California. Subject to renewal, the Center enters into a five-year contract with the State of California's Department of Developmental Services that is subject to annual appropriations by the State. The Center completed its first year of a 5-year contract with DDS that started fiscal year ended June 30, 2025. Revenue from the State is recognized monthly when a claim (invoice) for reimbursement of actual expenses is submitted to DDS for payment. These claims are paid at the State's discretion either through a direct payment to the Center or by offsetting the claim against the cash advances received by the Center from the State.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Contract reimbursement receivables at June 30, 2025 and 2024 are summarized, as follows:

	<u>2025</u>	<u>2024</u>
Claims submitted:		
Current year	\$359,717,706	\$ 273,453,538
Prior year	8,668,778	14,991,123
Second prior year	11,150,269	3,566,536
Third prior year and other receivable	<u>2,049,612</u>	<u>(548,381)</u>
Total	<u>\$ 381,586,365</u>	<u>\$ 291,462,816</u>

DDS advanced the Center under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the claims receivable from DDS as follows:

	<u>2025</u>	<u>2024</u>
Contracts receivable	\$ 381,586,365	\$ 291,462,816
Contract advances	<u>(271,753,615)</u>	<u>(209,396,433)</u>
Net contracts receivable/contract advances	<u>\$ 109,832,750</u>	<u>\$ 82,066,383</u>

In addition, the Center has accrued receivables from the State for expenses that will be settled in cash in future years. These expenses are required to be recognized as liabilities under generally accepted accounting principles; however, such benefits are reimbursed by the state contract only when actually paid. These expenses relate to accrued vacation and other employee benefits and the obligations for the post-retirement health care benefits and pension plan.

The Center's contract with DDS includes various fiscal provisions, which provide that the State of California retains all rights, title, and interest to the funds provided by DDS and that funds received from DDS may only be used for the purpose of satisfying claims against or expenses of the Center incurred pursuant to and in the performance of its contract with DDS.

Due from State – accrued vacation and other employee benefits consisted of the following as of June 30, 2025 and 2024 are summarized, as follows:

	<u>2025</u>	<u>2024</u>
Vacation and other employee benefits	\$ 5,890,107	\$ 4,253,222
Retirement health care and pension plan obligation, net of unrecognized loss on pension	<u>25,249,117</u>	<u>40,228,748</u>
	<u>\$ 31,139,224</u>	<u>\$ 44,481,970</u>

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4 – LINE OF CREDIT AND NOTE PAYABLE

In May 2021, the Center obtained a revolving line of credit (LOC) agreement with a bank whereby it may borrow up to \$55,000,000 until the expiration of the agreement on June 30, 2022. The LOC has been subsequently amended to increase the maximum line amount and extend the maturity date. In May 2024, the Center amended the LOC agreement by increasing the maximum line amount up to \$80,000,000 (reduced to \$70,000,000 from September 1, 2024 through February 28, 2025) and extending the maturity date through June 30, 2025. In May 2025, the Center amended the LOC agreement by increasing the maximum line amount up to \$100,000,000 from \$80,000,000, effective March 1, 2026, through June 30, 2026, and extending the maturity date through June 30, 2026. Borrowings are unsecured with interest payable monthly at the greater of the Secured Overnight Financing Rate plus 2.10% or 1% below the bank's prime rate. There was no balance outstanding as of June 30, 2025. The agreement contains affirmative covenants. The Center was in compliance with all covenants as of June 30, 2025.

During March 2021, the Center entered into an equipment financing agreement with a bank to finance a maximum loan amount of \$3,000,000 for costs associated with relocation to a new facility. The Center drew \$1,358,728 under this agreement of which \$576,095 is outstanding as of June 30, 2025 and \$771,467 was outstanding as of June 30, 2024. The note bears interest at a fixed rate of 3.71% with monthly payments of principal and interest of \$18,389, with the final payment due March 31, 2028. The agreement contains affirmative covenants. The Center was in compliance with all covenants as of June 30, 2025.

The relocation costs will be reimbursed in full by the State and any equipment purchases will be owned by the State. As a result, there is a corresponding receivable balance in an equal amount included in due from state - equipment financed with debt on the statement of financial position.

The following future principal payments are to be made under this agreement:

	<u>Fiscal year ended June 30,</u>
2026	\$ 202,739
2027	210,381
2028	<u>162,975</u>
	<u>\$ 576,095</u>

NOTE 5 – OPERATING LEASES

The Center leases office space and equipment under operating leases. The leases have remaining lease terms of 2 to 12 years. Rental expense included in operating expenses in the years ended June 30, 2025 and 2024 were \$6,315,635 and \$5,962,497, respectively.

As of June 30, 2025, the weighted average remaining lease term and discount rate for the operating leases was 4 years and 2.88%, respectively. The lease asset and liability were calculated utilizing the risk-free discount rate according to the Center's elected policy. The options to renew the operating leases were considered when assessing the value of the right-of-use (ROU) assets when the Center is reasonably certain that it will exercise its option to renew a lease.

As of June 30, 2025, the ROU assets had a balance of \$26,699,476, as shown in noncurrent assets on the statement of financial position; the lease liabilities are included in other current liabilities (\$5,910,806) and other long-term liabilities (\$20,788,670).

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

The maturities of lease liabilities are estimated as follows:

	<u>Year ended June 30,</u>
2026	\$ 5,910,806
2027	4,820,734
2028	2,384,785
2029	2,454,655
2030	2,512,684
Thereafter	<u>11,432,557</u>
Total lease payments	29,516,221
Less amount representing interest	<u>(2,816,745)</u>
Present value of lease liabilities	<u>\$ 26,699,476</u>

NOTE 6 – CASH – CLIENT TRUST FUNDS AND UNEXPENDED CLIENT SUPPORT

The Center functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of regional center consumers. These cash balances are segregated from the operating cash accounts of the Center and are restricted for consumer support. Since the Center is acting as an agent in processing these transactions, no revenue or expense is reflected on the accompanying statements of activities. The following is a summary of operating activity not reported in the statements of activities for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Support:		
Social Security and other client support	<u>\$ 4,768,856</u>	<u>\$ 8,212,193</u>
Disbursements:		
Living out of home	\$ 2,157,994	\$ 4,013,193
Other disbursements	<u>2,610,862</u>	<u>4,199,000</u>
	<u>\$ 4,768,856</u>	<u>\$ 8,212,193</u>

NOTE 7 – 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, 2025 and 2024, comprise the following:

	<u>2025</u>	<u>2024</u>
Financial assets at end of year available within one year:		
Cash	\$ 25,947,217	\$ 26,117,156
Contract reimbursement receivable, net of contract advance	109,832,750	82,066,383
Accounts receivable from Intermediate Care Facilities	<u>6,690,333</u>	<u>5,480,515</u>
Financial assets available for general expenditure within one year	<u>\$ 142,470,300</u>	<u>\$ 113,664,054</u>

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Each regional center submits a monthly purchase of service expenditure projection to DDS, beginning in December of each fiscal year. By February 1st of each year, DDS shall allocate to all regional centers no less than one hundred percent (100%) of the enacted budget for Operations and ninety-nine percent (99%) of the enacted budget for Purchase of Service. To do this, it may be necessary to amend the Center’s contract in order to allocate funds made available from budget augmentations and to move funds among regional centers. In the event that DDS determines that a regional center has insufficient funds to meet its contractual obligations, DDS shall make best efforts to secure additional funds and/or provide the regional center with regulatory and statutory relief. The contract with DDS allows for adjustments to the Center’s allocations and for the payment of claims up to two years after the close of each fiscal year.

In addition, the Center maintains a line of credit (see Note 4) to manage cash flow requirements as needed should there be delays in reimbursement for expenditures from DDS.

NOTE 8 – POST-RETIREMENT HEALTH CARE PLAN

The Center sponsors a post-retirement health care plan through the California Public Employees’ Retirement System (PERS) for its employees. The actuarial cost method used for determining the benefit obligations is the Projected Unit Benefit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current active employees and retirees. The Accumulated Post-Retirement Benefit Obligation (APBO) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The APBO equals the present value of projected benefits multiplied by a fraction equal to service to date over service at full eligibility age. The Periodic Benefit Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. The actuarial assumptions are summarized below:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Discount Rate		
Used to determine Net Periodic Benefit Cost	5.50%	5.20%
Used to determine Benefit Obligations	5.65%	5.50%
Long-term Rate of Return on Plan Assets		
Used to determine Net Periodic Benefit Cost	6.00%	6.00%
Used to determine Benefit Obligations	6.00%	6.00%
General inflation	2.30%	2.30%
Health Cost Trend		
Health care cost trend rate assumed for next year	7.80%	5.59%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	3.75%	3.75%
Year that the rate reaches the ultimate trend rate	2071	2071
Number of Participants		
Active employees	742	636
Retired employees	178	183

The Center is required to recognize an expense each year equal to the Net Periodic Post Retirement Benefit Cost.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

The Center recognizes the post-retirement health care plan liability as the unfunded APBO in its financial statements. All previously unrecognized actuarial gains or losses are reflected in the statement of financial position. The plan items not yet recognized as a component of periodic plan expenses, but included as a separate charge to net assets, are unamortized actuarial net gain of \$28,937,177 and \$27,163,855 as of June 30, 2025 and 2024, respectively.

The pension-related changes other than net periodic pension cost increased net assets by \$1,773,322 and \$7,765,858 for the years ended June 30, 2025 and 2024, respectively.

The following table provides a reconciliation of the changes in the plan's benefit obligations:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Obligations at beginning of year	\$ 47,004,893	\$ 50,281,141
Service cost	2,729,933	2,997,901
Interest cost	2,550,650	2,466,253
Actuarial (gain) loss	(1,200,129)	(7,077,235)
Benefits paid	<u>(1,674,487)</u>	<u>(1,663,167)</u>
Obligations at end of year	<u>\$ 49,410,860</u>	<u>\$ 47,004,893</u>

The following table provides a reconciliation of the changes in the plan's assets:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Fair value of plan assets at beginning of year	\$ 36,789,492	\$ 31,366,542
Actual return on plan assets	4,399,002	4,001,537
Employer contributions	4,840,613	3,084,580
Benefits paid	<u>(1,674,487)</u>	<u>(1,663,167)</u>
Fair value of plan assets at end of year	<u>44,354,620</u>	<u>36,789,492</u>
Net amount recognized in the statements of financial position	<u>\$ (5,056,240)</u>	<u>\$ (10,215,401)</u>

Net periodic post-retirement benefit cost consists of the following components:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Service cost	\$ 2,729,933	\$ 2,997,901
Interest cost	2,550,650	2,466,253
Return on assets	(2,302,353)	(1,924,635)
Amortization of (gains) or losses	<u>(1,573,456)</u>	<u>(1,338,279)</u>
Net periodic post-retirement benefits costs	<u>\$ 1,404,774</u>	<u>\$ 2,201,240</u>

The net accumulated amount recognized as a separate increase in net assets of \$28,937,177 and \$27,163,855 as of June 30, 2025 and 2024, respectively, for prior service cost and unamortized net actuarial gain (loss) does not have an offsetting accrual from the DDS to reflect the future reimbursement of such benefits. The accumulated gain is recognized in prepaid expense and other assets on the statements of financial position.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Plan Assets

The plan's assets are reported at fair value. 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. A recent accounting standard has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables set forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30:

<i>June 30, 2025</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Cash and cash equivalents	\$ 1,205,099	\$ -	\$ -	\$ 1,205,099
Mutual funds:				
Equity	16,809,472	9,050,200	-	25,859,672
Fixed income	5,220,598	12,069,251	-	17,289,849
Balanced	-	-	-	-
Total	<u>\$ 23,235,169</u>	<u>\$ 21,119,451</u>	<u>\$ -</u>	<u>\$ 44,354,620</u>

<i>June 30, 2024</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Cash and cash equivalents	\$ 973,710	\$ -	\$ -	\$ 973,710
Mutual funds:				
Equity	19,392,081	2,648,226	-	22,040,307
Fixed income	8,638,377	5,137,098	-	13,775,475
Balanced	-	-	-	-
Total	<u>\$ 29,004,168</u>	<u>\$ 7,785,324</u>	<u>\$ -</u>	<u>\$ 36,789,492</u>

The investment objective of the plan is to provide a rate of return commensurate with a moderate degree of risk of loss of principal and return volatility. A trustee administers the plan assets and investment responsibility for the assets is assigned to outside investment managers. The assets of the plan are periodically rebalanced to remain within the desired target allocations.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Variability of Estimated APBO

Actual future costs may vary significantly from the estimates used in calculating the APBO for a variety of reasons. Future costs may vary from estimates due to a variety of factors including, but not limited to, changes in medical costs, applicable laws, mortality rates, retirement rates, termination rates, rate of return, or other changes in economic or demographic assumptions.

Cash Flow Estimates for Future Benefit Payments

The following estimated benefit payments for the next ten years are expected to be paid on a fiscal year basis as follows:

	<u>Years Ending June 30,</u>
2025	\$ 1,802,187
2026	1,954,757
2027	2,110,832
2028	2,221,117
2029	2,724,064
2030 – 2035	<u>16,668,082</u>
Total	<u>\$ 27,481,039</u>

NOTE 9 – PENSION PLAN

The Center contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within California. Substantially all of the Center's employees participate in PERS.

PERS uses the Entry Age Normal Cost Method to fund benefits. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

Employee contributions are approximately 7% of salary and wages. The Center is required to contribute the remaining amount necessary to fund benefits for its employees, using the actuarial basis adopted by the PERS Board of Administration. Total retirement expense for the years ended June 30, 2025 and 2024 was \$3,472,682 and \$3,198,872, respectively.

The actuarial calculations and contribution rates generated by CalPERS are based on various assumptions about long-term demographic and economic trends and behavior. The CalPERS actuarial assumptions and calculations are in accordance with Governmental Accounting Standards Board (GASB) guidance. However, GASB guidance is not applicable to the Center, as the Center is a nonprofit organization where the appropriate generally accepted accounting principles for reporting should be in accordance with Financial Accounting Standards Board (FASB) guidance. In order for the Center to obtain a valuation report in accordance with FASB, the Center has obtained the census data from PERS along with plan asset balances for the fiscal year ended June 30, 2025 and 2024 and had an actuarial valuation performed in accordance with FASB to record the unfunded pension obligation and related pension expense in the statements of financial position and statements of activities, respectively, as of and for the years ended June 30, 2025 and 2024. The actuarial assumptions are summarized below:

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
<i>Economic Assumptions</i>		
Discount Rate	5.50%	5.20%
Long-term Rate of Return on Plan Assets	6.80%	6.80%
Salary Increases (annually)	4.00%	4.00%

Number of Participants

Active members	727	647
Transferred members	124	105
Terminated members	572	504
Retired members or beneficiaries	307	296

The Center is required to recognize an expense each year equal to the Net Periodic Post-Retirement Benefit Cost.

The Center recognizes the pension plan liability as the unfunded ABO in its financial statements. All previously unrecognized actuarial gains or losses are reflected in the statements of financial position. The plan items not yet recognized as a component of periodic plan expenses, but included as a separate charge to net assets, are:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Unamortized experience loss	\$ 18,352,391	\$ 12,596,360
Unamortized loss from asset return	(9,318,584)	(471,724)
Unamortized gain from assumption changes	(74,470,940)	(67,857,229)
Amortization amount	6,198,458	3,522,204
End of year gain	<u>\$ (59,238,675)</u>	<u>\$ (52,210,389)</u>

The pension-related changes other than net periodic pension cost increased net assets by \$7,087,706 and \$7,878,232 for the years ended June 30, 2025 and 2024, respectively.

The following table provides a reconciliation of the changes in the plan's benefit obligations:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Obligations at beginning of year	\$ 200,484,961	\$ 193,767,457
Service cost	9,539,461	9,015,409
Interest cost	11,164,746	10,042,255
Actuarial gain	(6,613,711)	(8,458,334)
Plan amendment	-	-
Experience loss	5,756,031	2,450,369
Benefits and expenses paid	(6,958,965)	(6,332,195)
Obligations at end of year	<u>\$ 213,372,523</u>	<u>\$ 200,484,961</u>

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

The following table provides a reconciliation of the changes in the plan's assets:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Fair value of plan assets at beginning of year	\$ 170,471,614	\$ 154,721,862
Actual return on plan assets	20,517,458	14,797,609
Employer and employee contributions	9,149,539	7,284,338
Benefits and expenses paid	<u>(6,958,965)</u>	<u>(6,332,195)</u>
Fair value of plan assets at end of year	<u>193,179,646</u>	<u>170,471,614</u>
Net amount recognized in the statements of financial position	<u>\$ (20,192,877)</u>	<u>\$ (30,013,347)</u>

Net periodic postretirement benefit cost consists of the following components:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Service cost	\$ 9,539,461	\$ 9,015,409
Interest cost	11,164,746	10,042,255
Expected return on plan assets	(11,670,598)	(10,558,113)
Amortization of prior service cost	59,420	59,420
Recognized net actuarial gains	<u>(2,676,254)</u>	<u>(2,428,649)</u>
Net periodic post-retirement benefit costs	<u>\$ 6,416,775</u>	<u>\$ 6,130,322</u>

The accumulated net amount recognized as a separate increase to net assets of \$59,238,675 and \$52,210,389 as of June 30, 2025 and 2024, respectively, for unamortized net actuarial gain (loss) does not have an offsetting accrual from the DDS to reflect the future reimbursement of such benefits. Gains are recognized in prepaid expense and other assets and losses are offset with receivables from the State for pension plan on the statements of financial position as of June 30, 2025 and 2024, respectively.

The following estimated benefit payments for the next ten years are expected to be paid on a fiscal year basis as follows:

	<u>Years Ending June 30,</u>
2026	\$ 8,027,901
2027	8,462,638
2028	8,860,393
2029	9,385,587
2030	9,905,358
Thereafter	<u>60,799,136</u>
Total	<u>\$ 105,441,013</u>

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 10 – COMMITMENTS AND CONTINGENCIES

In accordance with the terms of the DDS contract, an audit may be performed by an authorized state representative. Should such audit disclose any unallowable costs, the Center may be liable to the State 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, 2025 and 2024.

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.

Collective Bargaining Agreements

The Center retains a substantial portion of its labor force through Social Services Union, Local 721, Services Employees International Union. This labor force is subject to collective bargaining agreements and, as such, renegotiation of such agreements could expose the Center to an increase in hourly costs and work stoppages.

In February 2023, the Center ratified a new collect bargaining agreement effective February 17, 2023, through February 16, 2028.

Unemployment Insurance

The Center has elected to self-insure its unemployment insurance. The Center is required to reimburse the state of California for benefits paid to its former employees.

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.

Board of Directors
North Los Angeles County Regional Center, Inc.
Chatsworth, 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 North Los Angeles County Regional Center, Inc., which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Los Angeles County 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 North Los Angeles County Regional Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of North Los Angeles County 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 North Los Angeles County 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindquist, von Husen and Joyce LLP

March 11, 2026

Board of Directors
North Los Angeles County Regional Center, Inc.
Chatsworth, California

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

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited North Los Angeles County 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 North Los Angeles County Regional Center, Inc.'s major federal program for the year ended June 30, 2025. North Los Angeles County Regional Center, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, North Los Angeles County 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 program for the year ended June 30, 2025.

Basis for Opinion on 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 North Los Angeles County 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 the major federal program. Our audit does not provide a legal determination of North Los Angeles County 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 North Los Angeles County Regional Center, Inc.'s federal program.

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 North Los Angeles County 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 North Los Angeles County Regional Center, Inc.'s compliance with the requirements of the 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 North Los Angeles County 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 North Los Angeles County 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 North Los Angeles County 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.

Sindquist, von Husen and Joyce LLP

March 11, 2026

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

<i>Federal Grantor/Pass-Through Grantor/ Program Title</i>	<i>Assistance Listing Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
U.S. Department of Education:				
Special Education – Grants for Infants and Families Passed through State of California Department of Developmental Services Early Intervention Services	84.181	HD249012	\$ 1,593,723	\$ -
TOTAL FEDERAL AWARDS			\$ 1,593,723	\$ -

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant and loan activities of North Los Angeles County 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 North Los Angeles County Regional Center, Inc. for the year ended June 30, 2025, 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 North Los Angeles County Regional Center, Inc. and the federal government. North Los Angeles County Regional Center, Inc. did not elect to use the 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.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

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 program:

Name of Federal Program or Cluster

ALN 84.181

Special Education – Grants for Infants and Families

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

Auditee qualified as low-risk auditee?

X Yes _____ No

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards Findings and Questioned Costs

None noted.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED
COSTS, AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2025

Finding No. 2024-001 – A Significant Amount of Undeposited Checks and Material Reconciling Items between North Los Angeles County Regional Center’s Receivable Balances and Confirmation Reply from DDS

Condition:

The receivable balances of North Los Angeles County Regional Center appeared to be materially different from the confirmation reply from DDS due to several unrecorded claims offsets and undeposited checks. North Los Angeles County Regional Center received DDS claim offset letters in October 2023 and May 2024 amounting to \$217 million which were not recorded until January 2025.

North Los Angeles County Regional Center also received 42 checks from DDS during the fiscal year ended June 30, 2024 which were not deposited until December 2024. These checks total approximately \$9.6 million of undeposited funds as of June 30, 2024.

Effect:

The receivable balances from the confirmation reply received from DDS did not match the receivable balances of North Los Angeles County Regional Center for contract years 2023-2024, 2022-2023 and 2021-2022. There is also a risk that checks held but not deposited for more than six months may become stale and must be reissued by DDS.

Recommendation:

It was recommended that management should strengthen its existing internal controls over cash and claim offset letters by implementing a monthly reconciliation between the records of North Los Angeles County Regional Center and DDS to detect discrepancies earlier.

Status:

The prior findings related to undeposited checks, unrecorded checks and unrecorded claim offset letters have been fully resolved. North Los Angeles County Regional Center’s procedures for incoming checks and claim offset letters have been updated to ensure timeliness of deposits and journal entries as well as to detect and reconcile discrepancies against DDS records.