Harbor Regional Center
Audit Committee Meeting
December 1, 2017

Meeting Minutes

In attendance:	LaVelle Gates (Chair), Paul Quiroz, Judy Wada, Kaye Quintero, Tom Huey (Windes, Inc.), and Margarito Rodriguez (Windes, Inc.)
Absent:	Christopher Patay

Minutes:
The Audit Committee held a meeting on December 1, 2017 at 2:00 pm at the HRC Torrance Office.

Committee Purpose
Judy Wada reviewed the role, responsibilities, and membership guidelines of the audit committee.

Engagement Letter
Ms. Wada provided a copy of this year's engagement letter to the committee.

HRC Independent Audit
Ms. Wada provided a copy of HRC's procedure regarding independent audits. This procedure defines those who have a role in the completion of the independent audit and provides the schedule for completion of the audit and of the 990 filing.

Ms. Wada reminded the committee the independent audit should not be completed by the same accounting firm more than 5 times in every 10 years. The fiscal year 2017-18 audit will be the fifth completed by Windes, Inc., which means the committee will engage a new firm sometime next fiscal year.

Ms. Wada reviewed and distributed a copy of a comparison of the statement of functional expenses for Fiscal Years 2015-16 and 2016-17.

Draft Financial Statements for Fiscal Year 2016-17
Tom Huey from Windes presented the committee with the draft audited financial statements for the Fiscal Year 2016-17. Mr. Huey reported Windes is issuing an unmodified opinion in their Auditors' Report this year, which is the highest level of assurance that can be given. The Windes Report to the Audit Committee document was also provided.

Executive Session
The Audit Committee thanked and excused Ms. Wada and Ms. Quintero then went into Executive Session.

Financial Statement Approval
The Audit Committee approved the draft financial statements as presented. Ms. Wada will present the financial statements to the Executive Committee on January 2, 2018, and Mr. Huey will present the financial statements to the Board on January 16, 2018.

kq

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

REPORT TO THE AUDIT COMMITTEE
RESULTS OF THE JUNE 30, 2017 AUDIT

Presented by Windes, Inc.

WINDES
AUDIT | TAX | ADVISORY

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December 1, 2017

To the Audit Committee
Harbor Developmental Disabilities Foundation, Inc.

We are pleased to have the opportunity to discuss the results of our audit of the June 30, 2017 financial statements of Harbor Developmental Disabilities Foundation, Inc. (the Center).

A direct line of communication between the Audit Committee and Windes, Inc. is essential to the exercise of our respective responsibilities. Our appointment involves a responsibility on our part to call to your attention any significant matters we believe require your consideration, either at a regularly scheduled meeting or on a timelier basis, if warranted. Should you have any questions or observations, please call Tom Huey, the engagement partner, at 562-304-1248.

The accompanying report presents information regarding our audit and certain other information we believe will be of interest to you, and is intended solely for use by the Audit Committee, Board of Directors and management of the Center and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Windes, Inc.

WINDES, INC.

Financial Statements

- We have audited the financial statements of the Center for the year ended June 30, 2017 and plan to issue an unmodified report. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information on our engagement letter to you dated June 28, 2017. Professional standards also require we communicate to you the following information related to our audit.

Significant Accounting Policies

- Management is responsible for the selections and use of appropriate accounting policies. The significant accounting policies used by the Center are disclosed in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

- The financial statement disclosures are neutral, consistent, and clear.

Management Judgments and Accounting Estimates

- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was the functional allocation of expenses.

Significant Audit Adjustments

- Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The schedule provided summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Material adjustments detected as a result of audit procedures and corrected by management consisted of adjustments recorded to accrue additional payables and related state claims receivable, state income, and expenses for supplemental claims for expenses paid after June 30, 2016 which apply to the 2016/2017 contract year, and to accrue vacation and leave benefits and deferred rent as of June 30, 2017. These accruals are not recorded in the UFS accounting system at June 30, 2017 as the UFS system tracks each contract year separately in the general ledger and the Department of Developmental Services contract does not allow accruals for employee leave benefits and deferred rent (see adjusting journal entries provided to management).

Difficulties Encountered in Performing the Audit

- We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit

Management Representations

- We will request certain representations from management that will be included in the management representation letter.

Major Issues Discussed With Management Prior To Retention

- We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Consultation by Management with Other Accountants

- In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information in Documents Containing Audited Financial Statements

- With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Uncorrected misstatements

Proposed JE # 2001			
To record FSA Cash account and related liability			
10000xxx2	Cash - Salary Reduction (Cafeteria) Plan	19,309.00	
01-00-00-10030-00	PAYROLL-DEDUCTIONS PAYABLE		19,309.00
Total		**19,309.00**	**19,309.00**

PRELIMINARY DRAFT
SUBJECT TO CHANGE
FOR MANAGEMENT REVIEW ONLY

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

PRELIMINARY DRAFT
SUBJECT TO CHANGE
FOR MANAGEMENT REVIEW ONLY

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Harbor Developmental Disabilities Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Harbor Developmental Disabilities Foundation, Inc. (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harbor Developmental Disabilities Foundation, Inc. as of June 30, 2017 and 2016, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated ________________, on our consideration of Harbor Developmental Disabilities Foundation, 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 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 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 Harbor Developmental Disabilities Foundation, Inc.'s internal control over financial reporting and compliance.

Long Beach, California

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HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2017	June 30, 2016
ASSETS		
Cash and cash equivalents	$ 13,999,824	$ 17,533,751
Corporate bonds	75,000	75,000
Cash - client trust funds (Note 2)	785,084	792,006
Contracts receivable - state of California (Note 3)	1,945,595	-
Receivable from Intermediate Care Facility vendors	2,592,411	2,190,001
Prepaid expenses	565,032	566,508
Other assets	82,323	93,392
Receivable from state for accrued vacation and other leave benefits	1,270,138	1,104,689
Receivable from state for deferred rent	10,754,252	10,325,903
TOTAL ASSETS	$ 32,069,659	$ 32,681,250

LIABILITIES AND NET ASSETS

	June 30, 2017	June 30, 2016
LIABILITIES		
Accounts payable	$ 18,750,613	$ 15,090,975
Accrued salaries	662,319	559,809
Accrued vacation and other leave benefits	1,270,138	1,104,689
Deferred rent liability	10,754,252	10,325,903
Contract advances	-	4,968,544
Unexpended client trust funds	472,871	470,423
	31,910,193	32,520,343
COMMITMENTS AND CONTINGENCIES (Note 5)		
NET ASSETS		
Unrestricted	159,466	160,907
TOTAL LIABILITIES AND NET ASSETS	$ 32,069,659	$ 32,681,250

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

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

	For the Year Ended June 30, 2017	2016
CHANGE IN UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contracts - state of California	$ 198,403,548	$ 167,931,340
Intermediate Care Facility supplemental services income	5,439,555	5,387,596
Interest income	17,311	12,271
Contributions and grants	34,463	44,624
Other income	267,256	289,093
Total Support and Revenue	204,162,133	173,664,924
EXPENSES		
Program Services		
Direct client services	201,479,176	171,032,183
Supporting services		
General and administrative	2,684,398	2,618,376
Total Expenses	204,163,574	173,650,559
CHANGE IN NET ASSETS	(1,441)	14,365
NET ASSETS AT BEGINNING OF YEAR	160,907	146,542
NET ASSETS AT END OF YEAR	$ 159,466	$ 160,907

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

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services	
	Direct Client Services	General and Administrative	Total Expenses
Salaries	$ 15,794,001	$ 1,412,668	$ 17,206,669
Employee health and retirement benefits	3,979,413	355,932	4,335,345
Payroll taxes	235,746	21,086	256,832
Total Salaries and Related Expenses	20,009,160	1,789,686	21,798,846
Purchase of services:			
Residential care facilities	67,660,564	-	67,660,564
Day program	56,594,026	-	56,594,026
Other purchased services	49,429,901	-	49,429,901
Communication	342,570	30,641	373,211
General office expenses	150,464	13,458	163,922
Printing	35,449	3,171	38,620
Insurance	106,207	51,690	157,897
General expenses	499,952	44,717	544,669
Facility rent	4,336,224	387,846	4,724,070
Equipment and facility maintenance	1,715,364	153,428	1,868,792
Consultant fees	337,210	30,161	367,371
Equipment purchases	129,502	11,583	141,085
Board expenses	-	14,938	14,938
Staff travel	132,583	11,859	144,442
Legal fees	-	88,420	88,420
Accounting fees	-	52,800	52,800
TOTAL EXPENSES	$ 201,479,176	$ 2,684,398	$ 204,163,574

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

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Supporting Services	
	Direct Client Services	General and Administrative	Total Expenses
Salaries	$ 13,599,324	$ 1,271,451	$ 14,870,775
Employee health and retirement benefits	3,269,437	305,672	3,575,109
Payroll taxes	226,181	21,147	247,328
Total Salaries and Related Expenses	17,094,942	1,598,270	18,693,212
Purchase of services:			
Residential care facilities	53,237,189	-	53,237,189
Day program	49,469,292	-	49,469,292
Other purchased services	43,246,583	-	43,246,583
Communication	295,917	27,666	323,583
General office expenses	227,479	21,268	248,747
Printing	15,074	1,409	16,483
Insurance	86,422	67,538	153,960
General expenses	174,216	111,288	285,504
Facility rent	4,290,279	401,114	4,691,393
Equipment and facility maintenance	1,557,190	145,587	1,702,777
Consultant fees	522,904	48,888	571,792
Equipment purchases	704,723	65,887	770,610
Board expenses	-	15,860	15,860
Staff travel	109,973	10,282	120,255
Legal fees	-	50,561	50,561
Accounting fees	-	52,758	52,758
TOTAL EXPENSES	$ 171,032,183	$ 2,618,376	$ 173,650,559

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

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	For the Year Ended June 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,441)	$ 14,365
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Increase) decrease in:		
Cash – client trust funds	6,922	(93,590)
Contracts receivable - state of California	(1,945,595)	7,440,691
Receivable from Intermediate Care Facility vendors	(402,410)	(393,790)
Prepaid expenses	1,476	(256,209)
Other assets	11,069	(35,325)
Receivable from state for accrued vacation and other leave benefits	(165,449)	(157,897)
Receivable from state for deferred rent	(428,349)	(499,672)
Increase (decrease) in:		
Accounts payable	3,659,638	432,789
Accrued salaries	102,510	197,979
Accrued vacation and other leave benefits	165,449	157,897
Deferred rent liability	428,349	499,672
Contract advances	(4,968,544)	4,968,544
Unexpended client trust funds	2,448	(284,036)
Net Cash (Used In) Provided By Operating Activities	(3,533,927)	11,991,418
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in corporate bonds	-	52,052
Net Cash Provided By Investing Activities	-	52,052
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,533,927)	12,043,470
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,533,751	5,490,281
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 13,999,824	$ 17,533,751

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

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – Summary of Significant Accounting Policies

Basis of Presentation

Harbor Developmental Disabilities Foundation, Inc. (the Foundation), doing business as Harbor Regional Center, was incorporated on May 3, 1977 as a California nonprofit corporation for the purpose of operating Harbor Regional Center and related activities. Prior to incorporation, the Foundation was operated by a medical association. The Foundation was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Act) of the Welfare and Institutions Code of the State of California. In accordance with the Act, the Foundation provides diagnostic evaluations, client service coordination, and lifelong planning services for persons with developmental disabilities and their families. The areas served include the Los Angeles County Health Districts of Bellflower, Harbor, Long Beach, and Torrance.

The Act includes governance provisions regarding the composition of the Foundation's board of trustees. The 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 Foundation purchases client services, shall serve as a member of the regional center board. To comply with the Act, the Foundation's board of trustees includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Foundation and a client service provider of the Foundation.

The Foundation contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for individuals with developmental disabilities and their families. The Foundation contracts with the DDS total $201,400,338 for the 2016-2017 contract year and $168,976,380 for the 2015-2016 contract year and are subject to budget amendments. As of June 30, 2017 and 2016, actual net expenditures were $190,906,774 under the 2016-2017 contract and $161,431,810 under the 2015-2016 contract.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, revenues are recognized when earned and expenses are recognized when the obligation is incurred. Reimbursements from the state are considered earned when a qualifying expense is incurred.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. Accordingly, the net assets of the Foundation are classified and reported as described below:

> **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions.
>
> **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.
>
> **Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

As of June 30, 2017 and 2016, the Foundation had no temporarily or permanently restricted net assets.

Contributions

Contributions, including unconditional promises to give, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount to present value is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted contributions and net assets have restrictions stipulated by the donor that the corpus be invested in perpetuity and only income be made available for operations.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Equivalents and Concentration of Credit Risk

For the purpose of the statements of cash flows, the Foundation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. At June 30, 2017 and throughout the year, the Foundation has maintained cash balances in its bank in excess of federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Corporate Bonds

The Foundation accounts for corporate bonds 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. Accounting standards have 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).

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Corporate Bonds (Continued)

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 Foundation 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.

Corporate bonds are financial instruments that are measured at fair value on a recurring basis in the accompanying statements of financial position. Corporate bonds are generally valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available to comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit or liquidity. Therefore, the corporate bonds are classified within level 2 of the fair value hierarchy.

At June 30, 2017 and 2016, the Foundation held $75,000 in corporate bonds.

Contracts Receivable - State of California

Contracts receivable and contract support are recorded on the accrual method as related expenses are incurred.

Receivables from Intermediate Care Facility Vendors

The Centers for Medicare and Medicaid Services (CMS) approved federal financial participation in the funding of day and related transportation services purchased by the Foundation for consumers who reside in Intermediate Care Facilities (ICFs). CMS agreed that the day and related transportation services are part of the ICF service; however, the federal rules allow for only one provider of the ICF service. Accordingly, all the Medicaid funding for the ICF residents must go through the applicable ICF provider. The Foundation receives a 1.5% administrative fee based on the funds received to cover the additional workload.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Receivables from Intermediate Care Facility Vendors (Continued)

The DDS has directed the Foundation to prepare billings for these services on behalf of the ICFs and submit a separate state claim report for these services. The Foundation was directed to reduce the amount of its 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 Foundation's administrative fee, to the Foundation within 30 days of receipt of funds from the State Controller's Office.

State Equipment

Pursuant to the terms of the state of California contract, equipment purchases become the property of the state and, accordingly, are charged as expenses when incurred. For the years ended June 30, 2017 and 2016, equipment purchases totaled approximately $141,000 and $771,000, respectively.

Accrued Vacation and Other Employee Benefits

The Foundation has accrued a liability for leave benefits earned. However, such benefits are reimbursed under the state contract only when actually paid. The Foundation has also recorded a receivable from the state for the accrued leave benefits to reflect the future reimbursement of such benefits.

Deferred Rent

The Foundation leases office facilities under a lease agreement that is subject to scheduled acceleration of rental payments. The scheduled rent increases are amortized evenly over the life of the lease. The deferred rent liability represents the difference between the cash payments made and the amount expensed since inception of the lease. The Foundation has recorded a receivable from the state for the deferred rent liability to reflect the future reimbursement of the additional rent expense recognized.

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Allocation of Expenses

The statements of functional expenses allocate expenses for all funds to the program and supporting service categories based on a direct cost basis for purchase of services and salaries and related expenses. Operating expenses are allocated based on a percentage of salaries and related expenses per category to total salaries and related expenses, except for certain expenses that are designated as program or supporting services.

Income Taxes

The Foundation has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code. Tax-exempt status is generally granted to nonprofit entities organized for charitable or mutual benefit purposes.

The Foundation recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Subsequent Events

The Foundation's management has evaluated subsequent events from the statement of position date through _________________, the date the financial statements were available to be issued for the year ended June 30, 2017, and determined that there were no other items to disclose.

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *“Revenue from Contracts with Customers”* (Topic 606) (“ASU 2014-09”), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018 (fiscal year ending June 30, 2020 for the Foundation). The Foundation does not expect that the adoption of this pronouncement will have a material impact on its financial statements.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *“Leases”* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundation’s fiscal years beginning after December 15, 2019 (fiscal year ending June 30, 2021 for the Foundation), with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

In August 2016, the FASB released ASU 2016-14, *“Presentation of Financial Statements of Not-for-Profit Entities”* (Topic 958). The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes are related to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expenses, and (e) disclosure of quantitative and qualitative information regarding liquidity beginning after December 15, 2017 (fiscal year ending June 30, 2019 for the Foundation). The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – Cash - Client Trust Funds

The Foundation functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of the Foundation's clients. These cash balances are segregated from the operating cash accounts of the Foundation and are restricted for client support. Since the Foundation is acting as an agent in processing these transactions, no revenue or expense is reflected on the accompanying statement of activities. The following is a summary of operating cash activity for the years ended June 30, 2017 and 2016:

	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016
Social Security and other client support received	$ 5,647,392	$ 5,502,550
Residential care and other disbursements	5,649,457	5,407,174
Support over/(under) disbursements	(2,065)	95,376
Changes to reconcile support under disbursements to net cash used in support and care activities:		
(Decrease)/increase in receivable from state and federal agencies	1,358	(17,286)
Increase/(decrease) in amounts due to the Foundation	(6,215)	15,500
Net cash provided for support and care activities	(6,922)	93,590
Cash at beginning of year	792,006	698,416
Cash at end of year	$ 785,084	$ 792,006
Number of clients	422	420

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 – Contracts Receivable/Contract Advances – State of California

The Foundation's major source of revenue is from the state. Each fiscal year, the Foundation enters into a new contract with the state for a specified funding amount subject to budget amendments. Revenue from the state is recognized monthly when a claim for reimbursement of actual expenses is filed with the state. These reimbursement claims are paid at the state's discretion either through direct payments to the Foundation or by applying the claims reimbursements against advances already made to the Foundation.

As of June 30, 2017 and 2016, the DDS had advanced the Foundation approximately $52,942,000 and $37,719,000, respectively, under the contracts with the DDS. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the claims receivable from the state as follows:

	June 30,	
	2017	2016
Contracts receivable	$ 54,888,052	$ 32,750,109
Contract advances	(52,942,457)	(37,718,653)
Net contracts receivable (advance)	$ 1,945,595	$ (4,968,544)

The Foundation has renewed its contract with the state for the fiscal year ending June 30, 2018. The most recent contract amendment provides for a funding of $206,053,381.

NOTE 4 – Short-Term Borrowings

The Foundation has a revolving note with a bank whereby it may borrow funds up to the established maximums as follows:

Period	Maximum Amount
July 1, 2015 through October 1, 2015 (a)	$ 40,000,000
October 1, 2015 (a) through June 30, 2017	23,500,000
July 1, 2016 through October 1, 2016 (a)	40,000,000
October 1, 2016 (a) through June 30, 2017	26,000,000
July 1, 2017 (a) through June 30, 2018	30,000,000

(a) or the effective date of a state of California budget, whichever is earlier.

Interest is payable monthly at the greater of 2.25% or 1% below the bank's prime rate. No amount was outstanding on the revolving note as of June 30, 2017 and 2016.

NOTE 5 – Commitments and Contingencies

Leases and Related-Party Transactions

The Foundation is obligated under operating leases expiring November 30, 2039 for its Torrance facilities and December 31, 2029 for its Long Beach facilities. These leases generally require the lessee to pay all maintenance, insurance, and other operating expenses, and are subject to periodic adjustment based on price indexes or contract stipulated annual rate increases.

Rental expense for the years ended June 30, 2017 and 2016 was $4,724,070 and $4,691,393, respectively.

NOTE 5 – Commitments and Contingencies (Continued)

Leases and Related-Party Transactions (Continued)

Rent expense consisted of the following for the years ended June 30, 2017 and 2016:

	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016
Rent and operating expense reimbursement	$ 4,295,721	$ 4,191,721
Deferred rent liability increase	428,349	499,672
	$ 4,724,070	$ 4,691,393

The Foundation is leasing its main office facilities from Del Harbor Foundation (Del Harbor). Del Harbor, a separately incorporated California nonprofit corporation formed to facilitate and augment the coordination of services and programs of the Foundation or those which benefit clients of the Foundation, and shares common management with the Foundation. During the years ended June 30, 2017 and 2016, the Foundation paid rent and operating expense reimbursement to Del Harbor of $3,042,495 and $3,017,197, respectively.

Future minimum lease payments for the Foundation under noncancellable operating leases that have initial or remaining lease terms in excess of one-year as of June 30, 2017 are as follows:

Year Ending June 30,	Del Harbor	Other	Less: Sublease Income	Total
2018	$ 3,073,639	$ 1,107,175	$ (178,418)	$ 4,002,396
2019	3,119,102	1,140,457	(121,460)	4,138,099
2020	3,165,485	1,174,671	(103,458)	4,236,698
2021	3,201,456	1,209,759	(63,576)	4,347,639
2022	3,238,221	1,245,989	(10,596)	4,473,614
Thereafter	60,882,788	28,798,556	-	89,681,344
	$ 76,680,691	$ 34,676,607	$ (477,508)	$ 110,879,790

NOTE 5 – Commitments and Contingencies (Continued)

Collective Bargaining Agreements

The Foundation retains approximately 80% 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 Foundation to an increase in hourly costs and work stoppages. In September 2016, negotiations concluded between the Foundation and the Social Services Union, Local 721, Services Employees International Union, extending the current agreements to September 30, 2021.

Contingencies

The Foundation is dependent on continued funding provided by the DDS to operate and provide services for its clients. The Foundation's contract with the DDS provides funding for services under the Lanterman Act. In the event that the operations of the Foundation result in a deficit position at the end of any contract year, the DDS may reallocate surplus funds within the state of California system to supplement the Foundation's funding. Should a system-wide deficit occur, the 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. The DDS's recommendations are subsequently reviewed by the governor and the Legislature and a decision is made with regard to specific actions.

In accordance with the terms of the DDS contract, an audit may be performed by an authorized state representative. Should such an audit disclose any unallowable costs, the Foundation may be liable to the state for reimbursement of such costs. In the opinion of the Foundation's management, the effect of any disallowed costs would be immaterial to the financial statements at June 30, 2017 and 2016, and for the years then ended.

The Foundation has elected to finance its unemployment insurance using the prorated cost-of-benefits method. Under this method, the Foundation is required to reimburse the state of California for benefits paid to its former employees.

Legal Proceedings

The Foundation is subject to various legal proceedings and claims arising in the ordinary course of its business. While the ultimate outcome of these matters is difficult to predict, management believes that the ultimate resolution of these matters will not have a material adverse effect on the Foundation's financial position or activities.

NOTE 6 – Retirement Plan

Effective July 1, 2004, the Foundation restated its retirement plan and adopted a prototype profit-sharing plan with a 401(k) feature. All employees are eligible to enter the plan immediately upon employment. The Foundation makes non-elective contributions to the plan on behalf of participants. These contributions are based on a percentage of compensation earned by participants during the plan year. Employee contributions are not required and entirely voluntary. Participants can contribute up to the federal maximum limit. Beginning November 2016, the Foundation matches 50% of a participant's contributions up to the first 6% of salary, or a maximum employer amount of 3% of salary. Loans are permitted, subject to the terms of the plan document and applicable contract.

The total employer retirement expense for the years ended June 30, 2017 and 2016 was approximately $2,039,000 and $1,473,000, respectively.

In addition, effective June 1, 2005, the Foundation established a 457(b) deferred compensation plan. The Foundation does not contribute to this plan; however, employees can contribute to this plan in addition to the retirement plan. Loans are not permitted.

PRELIMINARY DRAFT
SUBJECT TO CHANGE
FOR MANAGEMENT REVIEW ONLY

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
U.S. Department of Education Passed through State of California Department of Developmental Services			
Special Education – Grants for Infants and Families	84.181	H181A160037	$ 1,152,079

See accompanying notes to schedule of expenditures of federal awards.

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Harbor Developmental Disabilities Foundation, Inc. under programs of the federal government for the year ended June 30, 2017. 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). Because the Schedule presents only a selected portion of the operations of Harbor Developmental Disabilities Foundation, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Harbor Developmental Disabilities Foundation, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting and based on state contract budget allocations. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

Harbor Developmental Disabilities Foundation, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Trustees of
Harbor Developmental Disabilities Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harbor Developmental Disabilities Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated ________________.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harbor Developmental Disabilities Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harbor Developmental Disabilities Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Harbor Developmental Disabilities Foundation, 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Harbor Developmental Disabilities Foundation, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PRELIMINARY DRAFT
SUBJECT TO CHANGE
FOR MANAGEMENT REVIEW ONLY

Long Beach, California

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

To the Board of Trustees of
Harbor Developmental Disabilities Foundation, Inc.

Report on Compliance for Each Major Federal Program

We have audited Harbor Developmental Disabilities Foundation, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Harbor Developmental Disabilities Foundation, Inc.'s major federal programs for the year ended June 30, 2017. Harbor Developmental Disabilities Foundation, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Harbor Developmental Disabilities Foundation, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Harbor Developmental Disabilities Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

PRELIMINARY DRAFT
SUBJECT TO CHANGE
FOR MANAGEMENT REVIEW ONLY

Long Beach, California

____

HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

The auditors' report expresses an unmodified opinion on whether the financial statements of Harbor Developmental Disabilities Foundation, Inc. were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting:

Material weakness(es) identified? – No

Significant deficiencies identified? – None reported

Noncompliance material to financial statements noted? – No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? – No

Significant deficiencies identified? – None reported

Type of auditors' report issued on compliance for major programs – Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? – No

Identification of major programs:
Special Education – Grants for Infants and Families CFDA #84.181.

Dollar threshold used to distinguish between type A and type B programs was $750,000.

Auditee qualified as low-risk auditee? – Yes

SECTION II – FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None

Harbor Regional Center
Board Planning Committee
November 17, 2017

Ron Bergman, Chair.
Members: Lavelle Gates, Steve Goclowski, Patricia Jordan, Barry Finley, Erika Braxton-White, Nancy Spiegel

Harbor Regional Center Performance Plan

After a series of meetings to gather input throughout the summer, Harbor Regional Center's Performance Plan was presented and approved by the Board at their meeting in September. Since then, no additional need for changes has been identified. The plan will be submitted to DDS by the end of November.

Diversity Initiatives at HRC

As we met with community groups throughout the summer, we also shared general information, answered questions and gathered input about HRC efforts to reduce service disparities. At our last meeting we reviewed projects currently underway with DDS 2016/17 funding , (which include a Parents as Partners peer mentoring program, translations of new service guide booklets in English, Spanish, Khmer, Korean, Farsi, Japanese, and Chinese, development of new informative fact sheets on various services, development of short videos about services, staff and service provider training, and development of new parent orientation and training) and received input on how to better serve these communities.

DDS invited regional centers and community based organizations to submit proposals for 2017/18 funding for addressing service disparities, which were due on November 6th.

HRC submitted four proposals for this funding:

- **Community Outreach Specialist** - A bilingual/ spanish-speaking position to provide ongoing outreach, training and support for clients and families, and to work with support groups and community organizations on behalf of our families. ($78,000)
- **Family Resource Assistant** - A bilingual/spanish-speaking position to provide an enhanced level of support for clients and families who need more help to access and utilize the supports and services HRC has to offer.($48,000)
- **Redesign of our Website** to provide greater ease of access to information, including information in Spanish and other threshold languages. ($125,000)
- **Continuation of Staff Training** to build our capacity for culturally responsive services and support for families. ($10,000).

Committee members are in agreement with the above proposals, and want to ensure that our efforts will be balanced among all underserved groups in our community.

We are currently reviewing proposals that have been submitted by Community Based Organizations for programs which would be provided within HRC's service area, LA County, and Statewide:

1. **Knowledge is Power/El Conociemiento es Podar** – parent outreach, education, and support, with a special focus on underserved Spanish-speaking families in the Harbor area cities of Harbor City, Wilmington, San Pedro, Lomita, Carson, and Torrance. (Carolyn Kordich Family Resource Center, $91,500)
2. **Parent Engagement Through Education**- provide multi-lingual trainings culturally responsive and informational support groups, with a special focus upon underserved African-American, Hispanic, and Asian Pacific communities and families of children birth to five years, in Long Beach and other HRC communities.
   (Pediatric Therapy Network, $354,242)
3. **Linking Underserved families to Much Needed Regional Center Services** – provide information, training and support to families from underserved communities who attend Early Childhood Education and Before- and After-School programs, to provide greater understanding and access to regional center services.
   (YMCA of Greater Long Beach, $125,480)
4. **Child Find Program**- to increase access to early childhood developmental screening, and support access to services for underserved communities throughout L.A. County. (211 LA County, $275,345)
5. **Statewide Disparity Reduction Project** – provide a user-friendly document and terminology guide describing regional center services, and a training curriculum to assist families in navigating the system.
   (State Council on Developmental Disabilities, $256,450).
6. **Community Support Groups** – provide resource information about regional center services and appeals process at community group meetings, outreach fairs, and Know Your Rights Clinics.
   (Learning Rights Law Center, $90,724)
7. **Community Integrator Project** - outreach education activities in Los Angeles County to raise awareness of regional center services.
   (Institute for Maximum Human Potential, $903,385)
8. **Parent Empowerment Program**, a train-the-trainer model to teach the SNN parent advocacy and civic engagement model to 60 other disability organization representatives (Special Needs Network, $380,000)

Harbor Regional Center

Client Advisory Committee

November 18, 2017

Meeting Minutes

Members Present: Deaka Mc Clain-CAC Co-Chairperson ; Rita Teodore; Debbie Howard; Michelle Roach; Mead Duley; Tom Basch; Wesley Dale; Kelly Sutton: David Oster; Lewis Brownson

HRC Staff Present: Rick Travis; Kris Zerhusen

Life Steps Staff Present: Jenelle Reyes-Tenorio

Guest Presenters: ACCESS Transportation – Louie Garcia, Regina McCray, Fayma Ishaq

Call to Order & Minutes Approved

Deaka called the meeting to order at 1:05 p.m.

The minutes were unanimously approved by all committee members.

Guest Presenters Access Transportation

Access Transportation staffers Louie Garcia, Regina McCray, Fayma Ishaq updated the CAC on ACCESS services. Regina McCray who is in charge of customer complaints gave her phone number 310 715-7550 x 244 and asked individuals to please contact her with any concerns regarding service or drivers. She reassured the CAC that information provided to her would be addressed to improve or change services depending upon the situation. Many members commended ACCESS for their ongoing support and assistance. Some members shared experiences that where exceptional while others share experiences that were not satisfactory. The ACCESS team recorded all their concerns and will contact them individually to assist them. There was a good back and forth discussion on how best to use the ACCESS services and how to contact the appropriate people for concerns. Overall, the CAC members expressed their gratitude for the services and thanked the presenters for taking time from their Saturday to join the meeting. The presenters stayed for the entire meeting.

Client Services & Self Determination update

Deaka reminded the CAC group that Self-Determination meetings are open to the public and that all CAC members are encouraged to attend these meetings. Deaka shared that the state is close to getting their revisions approved by the federal government and that soon the pilot program for self-determination will roll out. The program will be implemented gradually. Upon approval of the Waiver application or federal funding, the SDP will be implemented for up to 2, 500 participants in the state, to be phased in during the first three years. Self Determination meetings take place on the 2nd Wednesday of the month and are open to the public.

DDS CAC Update

Deaka shared that she was recently attended the DDS Client Advisory Committee the first time as the Chairperson. Deaka let the CAC members know that she is humbled and grateful for the opportunity to represent not only Harbor Regional Center, but also all 21 Regional Centers across the state as the new DDS CAC Chairperson. Deaka shared with the group that she will be attending the DDS CAC meetings three times a year.

Deaka shared that they spent 3 days in comprehensive meetings discussing a variety of issues concerns of all the Regional Center clients. She shared that she attended a special meeting regarding end of life planning. Deaka explained that the presenter was sharing options that individuals may have to determine their wishes at end of life. Deaka indicated that she would be getting more information on this subject.

Deaka shared all the ideas she heard from other Regional Centers and also reported that she shared what the CAC members were doing here at HRC. Deaka explained how she prepares for the meeting and ask Brent to assist her in developing bullet points so that she can share what Harbor Regional Center is doing in assisting members.

Deaka also shared that some Regional Center CAC representatives discussed meeting with local law enforcement. She suggested that HRC CAC may want to consider inviting law enforcement to a meeting.

Community Outreach

The HRC Client Advisory Committee recently participated in the Transition Fair at the Long Beach Office hosted by the Children's teams. Over 100 people attended. There were guest speakers on many topics and booths of multiple agencies who serve individuals with disabilities. The CAC had a booth and David Gauthier and Debbie Howard manned the booth where they met and talked with a variety of individuals with disabilities, families and other support agencies.

The CAC discussed possible activities for 2018. The suggestion that were discussed included: volunteering at the Long Beach Marathon; Transition Fairs at HRC; Special Olympics Fan in the Stands; and visiting more adult day programs in the HRC area. They also discussed possible presenters including: local law enforcement and IHSS and other benefits.

Adjournment

David adjourned the meeting at 2:45 p.m.

Next CAC Meeting

The next Client Advisory Meeting will be held on Saturday, February 10^{th}, 2017 at HRC Torrance office.

Harbor Regional Center
Self-Determination Advisory Committee
November 8, 2017

1. Call to order – 6:06 pm.
   Roll Call: Ray Ceragioli, Miriam Kang, Linda Chan Rapp, Rosalinda Garcia, David Gauthier, Deaka McClain, Mariano Sanz; Christofer Arroyo, Mary Hernandez, Liz Cohen-Zeboulon, Diana Sandoval, Judy Taimi

2. Introduction of committee members and welcome to our guests, especially 24Hr Homecare representatives Stephanie Medina, Stephanie Alvarez and Johnny Ortiz.

3. Quorum established – Minutes were approved.

4. Regional Center Update: Mary H.
   a. Harbor Regional Center [HRC] has identified four service coordinators who will focus on serving clients in the Self-Determination Program once it begins:
      Diana Sandoval, José Cerna, Akila Makalani, Lisa Sanchez.
      Their supervisors: Liz Cohen-Zebulon (Adult Client Services) and Judy Taimi (Child Client Services).

   b. RC training notes
      Outreach Plans – informational meetings to help people learn about Self Determination [SD] and sign up for the candidate pool list if they are interested: hope to hold10 trainings over the next 6 months, specifically reaching out to the Hispanic, Korean and Japanese communities and other groups.

      - Diana S. will be leading a training in Spanish in Long Beach for Unidad y Fuerza at Miller's Children's Hospital
      - Suggestions: possible Saturday trainings; additional trainings by the State Council on Developmental Disabilities; make materials about S-D available at various Walk-a-thons
      - Those who have already attended informational meetings led by Mary H. and who want to sign up for the candidate pool can contact her.
      - Names have already begun being collected and sent in to Sacramento for the candidate pool, and Harbor RC should be reaching their quota *number* by the end of the week (although random selection will also be based on *demographics*). Portals on

the SD page of the DDS website should be up by mid-November so clients will be able to confirm their registration.

- Linda C-R. led an informational meeting for Region 17 VIP Soccer with families from 4 different RCs. Of the 13 signups for the SD candidate pool, 8 were from HRC. On 11/13 Club 21 South Bay (formerly Down Syndrome Association) + Autism Society LA will hold an informational meeting at Mychals Learning Place.
- If anyone on the committee learns about an SD informational meeting, please let Mary know so that it can be promoted by HRC.

5. The Self Determination Workgroup met on 10/30/2017, and the highlights of the Workgroup Notes (by Sidney Jackson; in the Dropbox) were summarized.

a. Mid-November the Department of Developmental Services [DDS] is planning a conference call with the Center for Medicaid and Medicare Services [CMS] to discuss the outstanding questions CMS has regarding the California waiver application for federal funding for the SD program.
   - Miriam K. noted that the questions under discussion have not significantly changed over the past year.

b. Unlike the Medicare Waiver, from the outset the SD Program needs to meet the settings rules of the Home and Community Based Services (HCBS), that is, to promote inclusion and integration in the community as opposed to segregated settings.

c. DDS is currently working on simplifying the language of the informational training slideshow. This slideshow is a template which can be modified.
   - Committee members noted that the slides on fiscal management need to be clarified and expanded.

d. In the SD Workgroup meeting, the need for training of the Independent Facilitator was discussed, and the workgroup suggested that the local advisory committee could help.
   - Although our committee recognizes the need for Independent Facilitator training, Mariano S. questioned whether supervising such training fell under our mandate as a local advisory committee.
   - The State Council on Developmental Disabilities has held such trainings in Southern California, and Chris A. was among the trainers. He observed that the Department of Developmental Services apparently has “borrowed” from this curriculum almost intact, augmenting their presentation only with a segment on changing from the medical model to the social rights model in serving persons with disabilities.

e. Maximum monthly payment for Financial Management Services [FMS] was established depending on what support model is selected:
   Fiscal Agent model - $100 (The FMS provider is the bill payer/check writer only)

Fiscal Employer Agent model - $150 (The participant is the actual employer and the FMS provider helps the participant with specific employment tasks and processes payroll/withholds taxes)
Co-Employer model - $165 (The FMS provider is the Employer of Record, and has the employer responsibility/liability; shares employer roles with the participant)

- Chris A. noted that whether the federal government will allow FMS costs to come from client budget is unclear

f. Who will front the costs to start up SD program services is under debate. The Association of Regional Center Agencies claims advancing funds for the program will create a huge cash flow problem. Some workgroup members stated without having start up money for the FMS to operate will doom the program to failure. The Association of Regional Center Agencies and DDS will talk over this issue before the next SD Workgroup meeting on 12/6.

- Liz C-Z. observed that FMS providers are for-profit organizations, so why can't they front the costs for SD program?
- Ray C. asked what the pilot program did to front the money?

g. Declining participation in some of the local SD Advisory Committees due to uncertainty of an SD implementation date was addressed by the workgroup.

- Miriam K. said this did not seem to be a problem in our local committee. Although our clients' rights advocates have changed due to job movement, our other members have been faithfully serving. Carola Maranon has just resigned because she is moving away, but she will continue to be involved in SD in her new location.
- Mary H. announced that Marsha Johnson, our clients' rights advocate has moved on, so interviews to fill her slot have taken place.

6. Additional resources:
   a. Handouts noted in the Dropbox:
      - *Fiscal Rate Recommendations*
      - *Selecting a Broker* (= Independent Facilitator)
   b. State Council on Developmental Disabilities has a e-news blast that comes out every two weeks with news on SD meetings across the state, trainings, and more

7. FMS Services: Current vs. Self Determination – 24 Hour Homecare
24 Hour Homecare is the FMS provider currently associated with Harbor regional Center and 12 other RCs. After an overview of its current services, 24Hr Homecare representatives described the worker intake, credentialing, and the background check process. Additionally they discussed services 24 Hr Homecare would offer under SD, both for the employer agent model [the participant handles taxes, workers' compensation insurance, and withholding, etc] and the co-employer model [24Hr. Homecare handles taxes, workers' compensation insurance, and withholding, etc. and is co-employer with the participant].

- Mary H. – the monthly fee under SD would probably be similar to current FMS costs, $96.88/month.

• Ray C. asked what background checks would entail? Fingerprinting and records from 7 yrs back. According to Senate Bill 468 (SD legislation) the money for back background checks would be paid by the participant's budget. Medina noted that potential hires can go to 24Hr Homecare for fingerprinting.

• Mary H. noted that segregated services would not be eligible for SD budgets. E.g. an aide for an inclusive camp could be paid for by FMS but not tuition for a segregated camp.

• Linda C-R. asked budgeting specialized speech therapy needs through a non-generic speech-language therapist. Chris A. responded that although such speech services generally would not be covered because they are a generic service, there are cases in which specific demonstration of particular needs and unique qualifications of a specific provider to address that need have occasionally been funded.

• Miriam K. noted that there is a third FMS model; 24Hr Homecare discussed only the employer agent and co-employer models.

• Deaka M. asked why someone would go to all the paperwork and responsibility of negotiating rates, looking for your own workers etc. under SD? Rosalinda G. pointed out that with SD, you could hire a non-vendored worker (and you are not limited to existing RC options). David G. added that with FMS you don't have to pay people directly.

• Could you have your own Finance person act as your FMS? If you want your own FMS provider that person would need to be vendored through RC. HRC is committed to working through 24 Hour Homecare as its FMS.

7. Additional business:
   a. Miriam K. reminded committee members to RSVP their attendance promptly when the meeting reminder first comes out!
   b. Our committee voted unanimously to go dark in December.
   c. Chris A. has invited an independent facilitator with the Pilot SD Program to speak to us in January.
   d. Public comments were solicited.

8. Our next meeting: January 10, 2018, 6-8pm
   Location: if possible we will meet in the Long Beach office of HRC.

9. 7:37pm – meeting was adjourned.

Abbreviations:
CMS   Center for Medicaid and Medicare Services
DDS   Department of Developmental Services
FMS   financial (fiscal) management service
HCBS Home and Community Based Services
RC   regional center (HRC = Harbor Regional Center)
SD   self-determination

Minutes submitted by Linda Chan Rapp

Harbor Regional Center
Service Provider Advisory Committee
December 5, 2017, 10:00am

Members Present:

Member Name	**Organization**
Paul Quiroz, Chairperson	Cambrian Homecare
Alex Saldana	Oxford Services
Angie Rodriguez	Social Vocational Services
April Stover	Ability First
Brian Lockhart	Aacres, CA
Corina De Leon	Integrated Life
Dee Prescott	Easter Seal Southern CA
Glenda Lang	Options for Birth and Family Services
Harry Van Loon	ARC-Long Beach
Jazmin Zinnerman	Dungarvin
Jose Guzman	California Ambitions
Kalia Williams	South Bay Vocational Center
Mary Grace Lagasca	InJoy Life Resources
Robert Haupt	Autism Spectrum Therapies
Steve Goclowski	Mentor Network
Terri Nishimura	Pediatric Therapy Network

HRC Staff Present:

Staff Name	**Title**
Claudia Villegas-Avalos, Liaison	Director of Community Services
Patricia Del Monico	Executive Director
Judy Wada	CFO
Kaye Quintero	Controller
Tes Castillo	Accounting Supervisor
Gail Parker-Yamamoto	Department Assistant, Community Services
Mary Hernandez	Director, Adult Services
Barbara Del Monico	Manager, Family Resource Center

<u>Call to Order</u>
Mr. Paul Quiroz called the meeting to order at 10:05 a.m.

Introduction of Members and HRC Staff
The HRC Service Provider Committee members and HRC staff introduced themselves.

Presentation on HRC Resource Center
Ms. Barbara Del Monico presented materials available at the HRC Family Resource Center on the topic of safety, including personal safety and safety on the internet. A flyer was made available that provides information on how to access online booklets from HRC. The DDS SafetyNet newsletter for Fall 2017 on the topic of assault prevention was also made available to members.

Trailer Bill Language
Ms. Claudia Villegas-Avalos presented the new trailer bill language impacting regional centers, Assembly Bill 107. She highlighted the repeal of the restriction on respite services. Details can be found in the DDS September 15, 2017 letter to regional centers, at http://www.dds.ca.gov/budget/docs/sept2017-ltrRc-trailerbilllanguage.pdf

Ms. Patricia Del Monico announced that respite will be one of the services included in the next service policy reviews being conducted by HRC. Members should contact Ms. Villegas-Avalos if they are interested in being included in these review sessions.

Rate Study
Ms. Villegas-Avalos presented information about the DDS Vendor Rate Study being conducted by health policy consultants Burns & Associates, Inc. The consultant's role is to support DDS in review of service provider rates and provide implementation support. The information regarding this study was presented to the California Disability Services Association (CDSA) and Association of Regional Center Administrators (ARCA) by Burns & Associates. Copies of these materials were provided to members.

Self-Determination Update
Ms. Mary Hernandez gave an update on the status of the implementation of the Self Determination Waiver Program, and provided a copy of presentation materials on this topic to members. Ms. Hernandez highlighted the following:

- DDS submitted application to CMS on December 31, 2014. CMS returned the application to DDS with 180 additional questions and DDS has not submitted answers as of this date. Once submitted, CMS has 90 days to respond.
- The state will allow 2,500 clients into the program, out of which HRC has been allocated 98 spots.
- 24HR Home Care is currently vendored to be a fiscal management services (FMS) provider.
- HRC has assigned four Service Coordinators to be self-determination facilitators
- Each RC is mandated to create an advisory committee on this topic. HRC's committee meets every 2nd Wednesday of the month from 6-8pm. Refer to the HRC website to verify meeting dates and times.

New Round of CMS Grants
Ms. Villegas-Avalos announced CMS grants are due January 5, 2018.

Health & Safety Waivers Meeting January 5th
Mr. Quiroz and Ms. Collen Mock will attend safety waiver meeting given by DDS in the Los Angeles area.

Service provider members were reminded to submit updated DS1891s to Ms. Gail Parker as soon as possible.

Budget Update
Ms. Judy Wada announced the DDS biennial fiscal audit is scheduled for April 2018. Service providers were reminded to submit their independent audited financial statements as required.

Ms. Wada is currently working on completing the Purchase of Service Expenditure Projections (PEP, formerly SOAR) for submission to DDS by December 10. Statewide projections should be available by next meeting.

Ms. Wada announced the diversity demographics reporting must be published by the end of December.

Ms. Wada reported HRC is currently updating all staff business cards and distributing them to all HRC families. The new business cards include Client Services Manager and Department Director contact information in addition to the Service Coordinator information.

Ms. Wada announced the HRC has an emergency notification system (Everbridge) used to contact HRC staff in case of an emergency. The system will be tested with service providers early next year.

Service Provider Updates
Service provider members in attendance shared events and other information regarding their respective programs.

HRC Service Provider Meeting Schedule for 2018
The meeting schedule for 2018 is as follows:

February 6th
April 3rd
June 5th
August 7th
October 2nd

December 4th

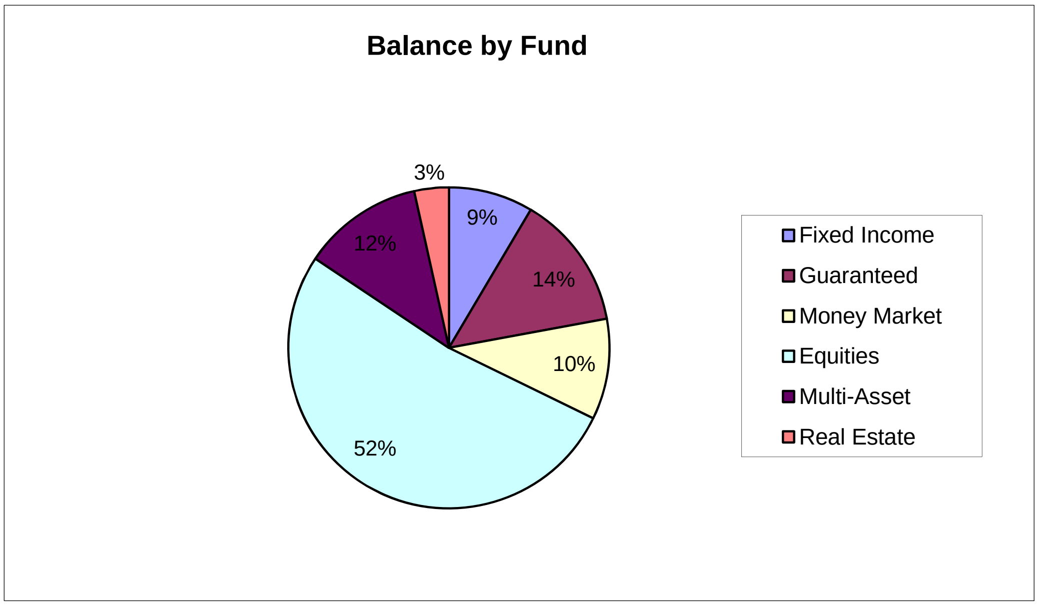
All meetings are at 10:00 in Conference Rooms A1 and A2 with the exception of April 3rd which will be held in Conference Room A4. Members should contact Mr. Quiroz or Ms. Villegas-Avalos to add items to the agenda.

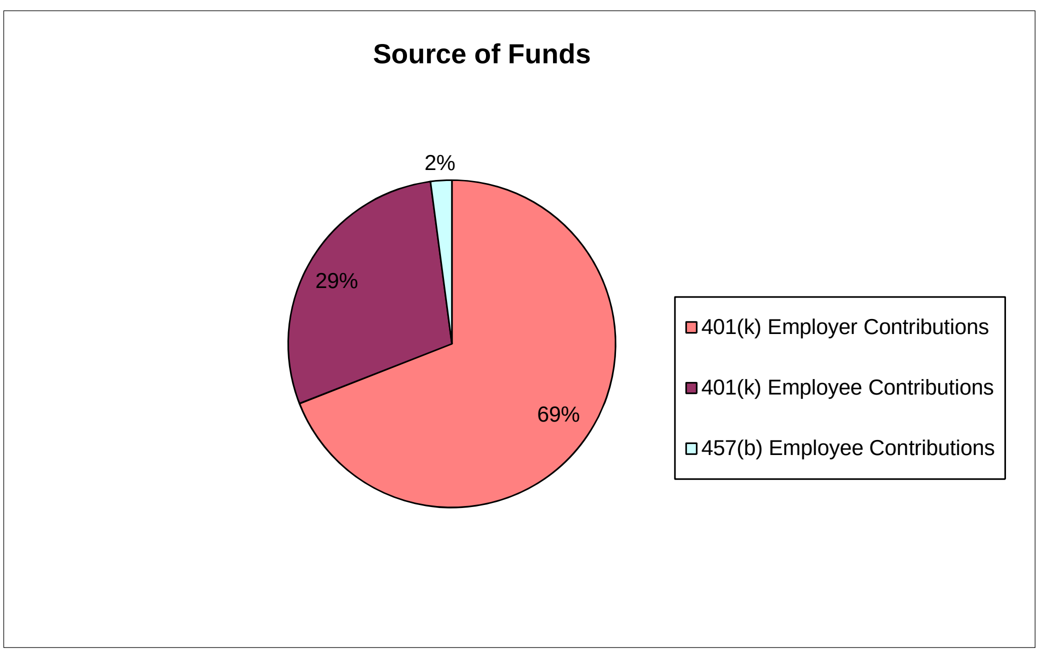
Meeting adjourned at 11:43 a.m.

Harbor Regional Center
Retirement Plan Balances as of 12-31-2017

	401(k) Employer Contributions	401(k) Employee Contributions	457(b) Employee Contributions	Total Balance
Fixed Income	$2,924,063	$1,084,525	$77,761	$4,086,350
Guaranteed	$3,680,901	$2,292,040	$549,007	$6,521,947
Money Market	$3,910,951	$932,183	$34,961	$4,878,095
Equities	$17,288,372	$7,423,076	$339,365	$25,050,813
Multi-Asset	$4,347,939	$1,487,887	$0	$5,835,826
Real Estate	$1,022,926	$649,902	$2,419	$1,675,247
Total	$33,175,151	$13,869,613	$1,003,514	$48,048,278

* Plan Balances include active and terminated employees still in the Retirement Plan.
** Employee Contributions include $1,884,005 in Rollover funds.

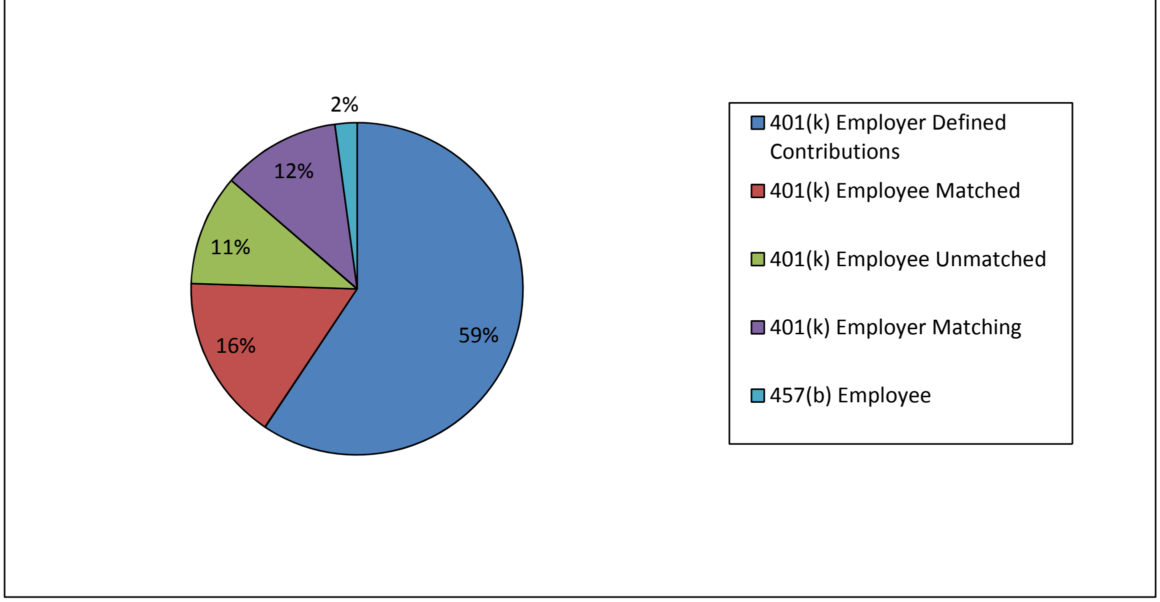




Harbor Regional Center
Retirement Plan Performance

	401(k)	457(b)	
Fund Balance 9/30/17	**$45,453,100**	**$971,217**	
Activity 10/1/17 - 12/31/17			
Distributions	($669,167)	$0	
Contributions	$659,326	$14,397	
Net	$45,443,258	$985,614	
Fund Balance 12/31/17	**$47,044,764**	**$1,003,514**	
Gain/(Loss)	$1,601,506	$17,900	
% Gain/(Loss) for the Period	3.52%	1.84%	
Participants			
Active Employees in Retirement Plan	304	6	55%
Terminated Employees in Retirement Plan	251	4	45%
Active Employees Total Balance	$34,542,592	$736,726	73%
Terminated Employees Total Balance	$12,502,172	$266,788	27%
Contributions			
Employer			
Defined (10%)	$399,885	$0	
Matching (50% of Employee Matched)	$77,761	$0	
Employee			
Matched (up to 6%)	$108,857	$0	
Unmatched	$72,824	$14,397	
	$659,326	$14,397	

2nd Quarter FY 2018 Contributions by Source



Harbor Regional Center
Retirement Plan Performance

Loan Information	as of 9/30/2017	as of 12/31/2017	Increase/ (Decrease)
Employees with Loans			
Active Employees with Loans	28	24	(4)
Terminated Employees with Loans	7	7	0
Total	35	31	(4)
Average Balance Amount	$8,756	$9,253	$497
Loan Value			
Employee Contributions	$305,695	$286,375	($19,320)
Employer Contributions	$778	$467	($311)
Total	$306,473	$286,842	($19,631)