

**San Diego-Imperial Counties
Developmental Services, Inc.**

San Diego, California

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS**

June 30, 2020



San Diego-Imperial Counties Developmental Services Inc.
TABLE OF CONTENTS
June 30, 2020

	<u>Page Number</u>
Independent Auditors' Report	1
 FINANCIAL SECTION	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	8
Notes to the Financial Statements	9
 SUPPLEMENTARY INFORMATION SECTION	
Schedule of Expenditures of Federal Awards	22
 OTHER REPORTS SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	24
Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance With the Uniform Guidance	26
 FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of Findings and Questioned Costs	30
Summary Schedule of Prior Audit Findings	31



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Diego-Imperial Counties Developmental Services Inc.
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of San Diego-Imperial Counties Developmental Services, Inc. (SDICDSI), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 SDICDSI'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 SDICDSI'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SDICDSI as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021, on our consideration of SDICDSI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDICDSI'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 SDICDSI's internal control over financial reporting and compliance.

AGT CPAs & Advisors

AGT CPAs & Advisors
Redding, California
October 21, 2021

FINANCIAL SECTION

San Diego-Imperial Counties Developmental Services Inc.
STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

Cash and cash equivalents	\$ 22,620,351
Cash and cash equivalents - client trust funds	2,673,657
Receivable - State Regional Center contracts	150,800,143
Receivable - ICF providers	2,678,345
Sundry receivables, prepaids, and other assets	1,282,003
Due from state - deferred rent	665,908
Due from state - accrued vacation and retirement	33,368,625

TOTAL ASSETS \$ 214,089,032

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 55,587,021
Advance - State Regional Center contracts	118,268,256
Accrued salaries and payroll taxes	1,601,035
Accrued pension contribution	118,170,921
Deferred rent	665,908
Accrued vacation leave benefits	2,591,516
Client trust funds liability	2,725,862

Total Liabilities 299,610,519

Net Assets (Deficit)

Without donor restrictions (85,521,487)

Total Net Assets (Deficit) (85,521,487)

TOTAL LIABILITIES AND NET ASSETS (DEFICIT) \$ 214,089,032

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

San Diego-Imperial Counties Developmental Services Inc.
STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

REVENUE	
State Regional Center contracts	\$ 511,385,375
Intermediate Care Facility supplemental services income	10,011,080
Interest income	195,027
Contribution income	39,226
Other income	755,342
TOTAL REVENUE	522,386,050
EXPENSES	
Program Services	
Client services	44,248,755
Residential care	153,960,136
Day care and training	143,557,422
Medical programs	10,852,878
Respite service	51,067,445
Independent living costs	21,203,044
Transportation services	20,813,886
Prevention services	13,731,049
Other purchased services	44,983,330
Total Program Services	504,417,945
Supporting Services	
General and administrative	17,972,542
Total Supporting Services	17,972,542
TOTAL EXPENSES	522,390,487
Change in Net Assets (Deficit) Before Pension-Related Changes Other Than Net Periodic Pension Cost	(4,437)
Pension-Related Changes Other Than Net Periodic Pension Cost	(38,005,074)
Change in Net Assets (Deficit)	(38,009,511)
Net Assets (Deficit) - Beginning of Year	(47,511,976)
Net Assets (Deficit) - End of Year	\$ (85,521,487)

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

San Diego-Imperial Counties Developmental Services Inc.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020	Program Services						Balance Forward
	Client Services	Residential Care	Day Care and Training	Medical Programs	Respite Service	Independent Living Costs	
Salaries	\$ 33,295,433	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,295,433
Employee health and retirement benefits	10,063,968	-	-	-	-	-	10,063,968
Payroll taxes	469,442	-	-	-	-	-	469,442
Total Salaries and Related Expenses	43,828,843	-	-	-	-	-	43,828,843
Purchase of services	-	153,960,136	143,557,422	10,852,878	51,067,445	21,203,044	380,640,925
Facility rent	-	-	-	-	-	-	-
General expenses	-	-	-	-	-	-	-
Facility maintenance	-	-	-	-	-	-	-
Equipment purchases, rental, and maintenance	-	-	-	-	-	-	-
Outside services	-	-	-	-	-	-	-
Public information and education	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-
Legal fees	-	-	-	-	-	-	-
ARCA dues	-	-	-	-	-	-	-
Postage	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Travel	419,912	-	-	-	-	-	419,912
Staff training	-	-	-	-	-	-	-
Accounting fees	-	-	-	-	-	-	-
Board of Directors' expenses	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
Total	\$ 44,248,755	\$ 153,960,136	\$ 143,557,422	\$ 10,852,878	\$ 51,067,445	\$ 21,203,044	\$ 424,889,680

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

San Diego-Imperial Counties Developmental Services Inc.
STATEMENT OF FUNCTIONAL EXPENSES
(Continued)

Year Ended June 30, 2020	Program Services				Supporting Services		Total Expenses
	Balance Brought Forward	Transportation Services	Prevention Services	Other Purchased Services	Total Program	General and Administrative	
Salaries	\$ 33,295,433	\$ -	\$ -	\$ -	\$ 33,295,433	\$ 3,674,892	\$ 36,970,325
Employee health and retirement benefits	10,063,968	-	-	-	10,063,968	2,086,987	12,150,955
Payroll taxes	469,442	-	-	-	469,442	51,813	521,255
Total Salaries and Related Expenses	43,828,843	-	-	-	43,828,843	5,813,692	49,642,535
Purchase of services	380,640,925	20,813,886	13,731,049	44,983,330	460,169,190	-	460,169,190
Facility rent	-	-	-	-	-	4,592,570	4,592,570
General expenses	-	-	-	-	-	1,631,743	1,631,743
Facility maintenance	-	-	-	-	-	1,127,703	1,127,703
Equipment purchases, rental, and maintenance	-	-	-	-	-	1,214,376	1,214,376
Outside services	-	-	-	-	-	777,068	777,068
Public information and education	-	-	-	-	-	1,404,325	1,404,325
Telephone	-	-	-	-	-	535,246	535,246
Legal fees	-	-	-	-	-	414,758	414,758
ARCA dues	-	-	-	-	-	-	-
Postage	-	-	-	-	-	70,224	70,224
Insurance	-	-	-	-	-	183,789	183,789
Utilities	-	-	-	-	-	66,366	66,366
Travel	419,912	-	-	-	419,912	45,689	465,601
Staff training	-	-	-	-	-	14,325	14,325
Accounting fees	-	-	-	-	-	51,500	51,500
Board of Directors' expenses	-	-	-	-	-	29,168	29,168
Interest expense	-	-	-	-	-	-	-
Total	\$ 424,889,680	\$ 20,813,886	\$ 13,731,049	\$ 44,983,330	\$ 504,417,945	\$ 17,972,542	\$ 522,390,487

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