

**Meeting of the Board of Trustees**  
**Tuesday, March 21, 2017**

**AUDIT COMMITTEE REPORT – APPROVAL OF DRAFT AUDIT**

- At the January meeting an audience member correctly noted that our independent auditor's report had not been made available to visitors in attendance to provide comment prior to our action to receive and file it.
- Therefore, the report has been available online prior to this meeting and also as a handout for everyone tonight.
- At the time of the Audit Committee report, we will receive and consider any public comment to the attached Draft Audited Financial Statements for Fiscal Year 2015-16 prior to reconsidering our January action to receive and file the report.

**HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.**

**REPORT TO THE AUDIT COMMITTEE  
RESULTS OF THE JUNE 30, 2016 AUDIT**

Presented by Windes, Inc.



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December 2, 2016

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, 2016 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 Ron Kulek, the engagement partner, at 562-435-1191.

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.

**HARBOR DEVELOPMENTAL  
DISABILITIES FOUNDATION, INC.  
RESULTS OF THE 2016 AUDIT**

**COMMUNICATIONS WITH THE  
AUDIT COMMITTEE**

**Financial Statements**

- We have audited the financial statements of the Center for the year ended June 30, 2016 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 April 6, 2016. 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, 2016. 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.



**HARBOR DEVELOPMENTAL  
DISABILITIES FOUNDATION, INC.  
RESULTS OF THE 2016 AUDIT**

**COMMUNICATIONS WITH THE  
AUDIT COMMITTEE**

**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 2015/2016 contract year, and to accrue vacation and leave benefits and deferred rent as of June 30, 2016. These accruals are not recorded in the UFS accounting system at June 30, 2016 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).

**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.

**HARBOR DEVELOPMENTAL  
DISABILITIES FOUNDATION, INC.  
RESULTS OF THE 2016 AUDIT**

**COMMUNICATIONS WITH THE  
AUDIT COMMITTEE**

**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.

**PRELIMINARY DRAFT  
SUBJECT TO CHANGE  
FOR MANAGEMENT REVIEW ONLY**

**HARBOR DEVELOPMENTAL  
DISABILITIES FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**PRELIMINARY DRAFT  
SUBJECT TO CHANGE  
FOR MANAGEMENT REVIEW ONLY**

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**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, 2016 and 2015, 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.



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***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, 2016 and 2015, 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 \_\_\_\_\_, 2016, 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.

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FOR MANAGEMENT REVIEW**  
Long Beach, California  
\_\_\_\_\_, 2016

**HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 17,533,751	\$ 5,490,281
Certificates of deposit	75,000	127,052
Cash - client trust funds (Note 2)	792,006	698,416
Contracts receivable - state of California (Note 3)	-	7,440,691
Receivable from Intermediate Care Facility vendors	2,190,001	1,796,211
Prepaid expenses	566,508	310,299
Other assets	93,392	58,067
Receivable from state for accrued vacation and other leave benefits	1,104,689	946,792
Receivable from state for deferred rent	10,325,903	9,826,231
<b>TOTAL ASSETS</b>	<b>\$ 32,681,250</b>	<b>\$ 26,694,040</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 15,090,975	\$ 14,658,186
Accrued salaries	559,809	361,830
Accrued vacation and other leave benefits	1,104,689	946,792
Deferred rent liability	10,325,903	9,826,231
Contract advances	4,968,544	-
Unexpended client trust funds	470,423	754,459
	<u>32,520,343</u>	<u>26,547,498</u>

**COMMITMENTS AND CONTINGENCIES (Note 5)**

<b>NET ASSETS</b>		
Unrestricted	<u>160,907</u>	<u>146,542</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 32,681,250</b>	<b>\$ 26,694,040</b>

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

**HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES**

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Contracts - state of California	\$ 167,931,340	\$ 156,482,993
Intermediate Care Facility supplemental services income	5,387,596	5,380,551
Interest income	12,271	8,571
Contributions and grants	44,624	46,060
Other income	289,093	411,776
Total Support and Revenue	<u>173,664,924</u>	<u>162,329,951</u>
<b>EXPENSES</b>		
Program Services		
Direct client services	<u>171,032,183</u>	<u>159,863,752</u>
Supporting services		
General and administrative	<u>2,618,376</u>	<u>2,448,166</u>
Total Expenses	<u>173,650,559</u>	<u>162,311,918</u>
<b>CHANGE IN NET ASSETS</b>	14,365	18,033
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>146,542</u>	<u>128,509</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 160,907</u>	<u>\$ 146,542</u>

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**

	<b>Program Services</b>	<b>Supporting Services</b>	
	<b>Direct Client Services</b>	<b>General and Administrative</b>	<b>Total Expenses</b>
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
<b>Total Salaries and Related Expenses</b>	<b>17,094,942</b>	<b>1,598,270</b>	<b>18,693,212</b>
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
<b>TOTAL EXPENSES</b>	<b>\$ 171,032,183</b>	<b>\$ 2,618,376</b>	<b>\$ 173,650,559</b>

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, 2015**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total Expenses</b>
	<b>Direct Client Services</b>	<b>General and Administrative</b>		
Salaries	\$ 12,620,536	\$ 1,152,831	\$	13,773,367
Employee health and retirement benefits	3,073,367	280,739		3,354,106
Payroll taxes	183,810	16,790		200,600
<b>Total Salaries and Related Expenses</b>	<b>15,877,713</b>	<b>1,450,360</b>		<b>17,328,073</b>
Purchase of services:				
Residential care facilities	49,833,226	-		49,833,226
Day program	46,017,339	-		46,017,339
Other purchased services	39,289,198			39,289,198
Communication	301,546	27,545		329,091
General office expenses	259,484	23,703		283,187
Printing	23,063	2,107		25,170
Insurance	83,884	47,675		131,559
General expenses	374,200	34,181		408,381
Facility rent	5,310,080	485,053		5,795,133
Equipment and facility maintenance	1,067,195	97,484		1,164,679
Consultant fees	588,941	53,797		642,738
Equipment purchases	742,575	67,831		810,406
Board expenses	-	26,491		26,491
Staff travel	95,308	8,706		104,014
Legal fees	-	70,733		70,733
Accounting fees	-	52,500		52,500
<b>TOTAL EXPENSES</b>	<b>\$ 159,863,752</b>	<b>\$ 2,448,166</b>		<b>\$ 162,311,918</b>

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



**HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 14,365	\$ 18,033
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Increase) decrease in:		
Cash – client trust funds	(93,590)	223,371
Contracts receivable - state of California	7,440,691	(3,332,275)
Receivable from Intermediate Care Facility vendors	(393,790)	102,977
Prepaid expenses	(256,209)	(224,240)
Other assets	(35,325)	35,528
Receivable from state for accrued vacation and other leave benefits	(157,897)	(44,826)
Receivable from state for deferred rent	(499,672)	(1,682,904)
Increase (decrease) in:		
Accounts payable	432,789	2,328,710
Accrued salaries	197,979	23,359
Accrued vacation and other leave benefits	157,897	44,826
Deferred rent liability	499,672	1,682,904
Contract advances	4,968,544	-
Unexpended client trust funds	(284,036)	219,480
Net Cash Provided By (Used In) Operating Activities	11,991,418	(605,057)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change in certificates of deposit	52,052	(59,673)
Net Cash Provided By (Used In) Investing Activities	52,052	(59,673)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	12,043,470	(664,730)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	5,490,281	6,155,011
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 17,533,751	\$ 5,490,281

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

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HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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 percent of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25 percent of the members of the governing board shall be persons with developmental disabilities. In addition, a member of a required advisory committee, composed of persons representing the various categories of providers from which the 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. Foundation contracts with the DDS total \$169,008,863 for the 2015-2016 contract year and \$160,490,209 for the 2014-2015 contract year and are subject to budget amendments. As of June 30, 2016 and 2015, actual net expenditures were \$159,427,266 under the 2015-2016 contract and \$151,331,858 under the 2014-2015 contract.

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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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, 2016 and 2015, 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.

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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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, 2016 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.

***Certificates of Deposit***

The Foundation accounts for certificates of deposit 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).

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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

***Certificates of Deposit (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.

Certificates of deposit are financial instruments that are measured at fair value on a recurring basis in the accompanying statements of financial position. Generally, identical instruments to certificates of deposit are not traded in active markets and, as such, fair value is based on estimates using present value or other valuation techniques such as discounted cash flows and observable inputs for similar instruments. Therefore, the certificates of deposit are classified within Level 2 of the fair value hierarchy.

At June 30, 2016 and 2015, the Foundation held \$75,000 and \$127,052, respectively, in certificates of deposit.

***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.



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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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 their regular state claim to DDS by the dollar amount of these services. Reimbursement for these services will be received from the ICFs. DDS advances the amount according to the state claim to the ICFs. The ICFs are then required to pass on the payments received, as well as the 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, 2016 and 2015, equipment purchases totaled approximately \$771,000 and \$810,000, 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.

**PRELIMINARY DRAFT  
SUBJECT TO CHANGE  
FOR MANAGEMENT REVIEW ONLY  
HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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.

***Reclassification***

Certain amounts in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2016 financial statement presentation.

***Subsequent Events***

The Foundation's management has evaluated subsequent events from the statement of position date through \_\_\_\_\_, 2016, the date the financial statements were available to be issued for the year ended June 30, 2016, and determined that there were no other items to disclose.

**PRELIMINARY DRAFT  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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, 2016 and 2015:

	<b>For the Year Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Social Security and other client support received	\$ 5,502,550	\$ 5,313,428
Residential care and other disbursements	5,407,174	5,538,578
Support over/(under) disbursements	95,376	(225,150)
Changes to reconcile support under disbursements to net cash used in support and care activities: (Increase)/decrease in receivable from state and federal agencies	(17,286)	1,471
Decrease in amounts due to the Foundation	15,500	308
Net cash provided for support and care activities	93,590	(223,371)
Cash at beginning of year	698,416	921,787
Cash at end of year	\$ 792,006	\$ 698,416
Number of clients	420	408

**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.

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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 3 – Contracts Receivable/Contract Advances – State of California (Continued)**

As of June 30, 2016 and 2015, the DDS had advanced the Foundation approximately \$37,719,000 and \$34,259,000, 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:

	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Contracts receivable	\$ 32,750,109	\$ 41,699,649
Contract advances	<u>(37,718,653)</u>	<u>(34,258,958)</u>
Net contracts receivable (advance)	<u>\$ (4,968,544)</u>	<u>\$ 7,440,691</u>

The Foundation has renewed its contract with the state for the fiscal year ending June 30, 2017. The contract provides for initial funding of \$199,403,826.

**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:

<b>Period</b>	<b>Maximum Amount</b>
Through June 30, 2015	\$ 17,000,000
July 1, 2015 through October 1, 2015 (a)	40,000,000
October 1, 2015 (a) through June 30, 2016	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

(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, 2016 and 2015.

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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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, 2016 and 2015 was \$4,691,393 and \$5,795,133, respectively.

Rent expense consisted of the following for the years ended June 30, 2016 and 2015:

	<b>For the Year Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Rent and operating expense reimbursement	\$ 4,191,721	\$ 4,112,229
Deferred rent liability increase	<u>499,672</u>	<u>1,682,904</u>
	<u>\$ 4,691,393</u>	<u>\$ 5,795,133</u>

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, 2016 and 2015, the Foundation paid rent and operating expense reimbursement to Del Harbor of \$3,017,197 and \$2,927,125, respectively.



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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 5 – Commitments and Contingencies (Continued)**

*Leases and Related-Party Transactions (Continued)*

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, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Del Harbor</u>	<u>Other</u>	<u>Less: Sublease Income</u>	<u>Total</u>
2017	\$ 3,029,070	\$ 1,074,766	\$ (167,155)	\$ 3,936,681
2018	3,073,639	1,107,175	(49,556)	4,131,258
2019	3,119,102	1,140,457		4,259,559
2020	3,165,486	1,174,671		4,340,157
2021	3,201,456	1,209,759		4,411,215
Thereafter	<u>64,121,008</u>	<u>30,044,545</u>		<u>94,165,553</u>
	<u>\$ 79,709,761</u>	<u>\$ 35,751,373</u>	<u>\$ (216,711)</u>	<u>\$ 115,244,423</u>

*Collective Bargaining Agreements*

The Foundation retains approximately 80 percent 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. The current agreements were generally effective through March 24, 2016. 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.

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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 5 – Commitments and Contingencies (Continued)**

*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, 2016 and 2015, 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.

**PRELIMINARY DRAFT  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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 will match 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, 2016 and 2015 was approximately \$1,473,000 and \$1,493,000, 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  
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**HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education Passed through State of California Department of Developmental Services</b>			
Special Education – Grants for Infants and Families	84.181	H181A150037	\$ <u>1,213,058</u>

See accompanying notes to schedule of expenditures of federal awards.

**PRELIMINARY DRAFT  
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FOR MANAGEMENT REVIEW ONLY**

**HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016. 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.

**PRELIMINARY DRAFT  
SUBJECT TO CHANGE  
FOR MANAGEMENT REVIEW ONLY**

**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, 2016, 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 \_\_\_\_\_, 2016.

**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.

**PRELIMINARY DRAFT  
SUBJECT TO CHANGE  
FOR MANAGEMENT REVIEW ONLY**

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 organization'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  
\_\_\_\_\_, 2016



**PRELIMINARY DRAFT  
SUBJECT TO CHANGE  
FOR MANAGEMENT REVIEW ONLY**

**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, 2016. 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.

**PRELIMINARY DRAFT  
SUBJECT TO CHANGE  
FOR MANAGEMENT REVIEW ONLY**

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, 2016.

**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.

**PRELIMINARY DRAFT  
SUBJECT TO CHANGE  
FOR MANAGEMENT REVIEW ONLY**

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

\_\_\_\_\_, 2016

**PRELIMINARY DRAFT  
SUBJECT TO CHANGE  
FOR MANAGEMENT REVIEW ONLY  
HARBOR DEVELOPMENTAL DISABILITIES FOUNDATION, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued – Unmodified

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

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**HARBOR REGIONAL CENTER  
BOARD DEVELOPMENT COMMITTEE  
MARCH, 2017**

**JUNE RETREAT:**

Based upon the ballots returned to us by Board members, we have identified Saturday, June 10, 2017, as the date for our annual Retreat and Board recognition dinner. We will provide more detailed information as it becomes available but want to ask all Board members to be sure to reserve June 10 between 9:00 and 2:30 for our retreat.....and that evening for our Board recognition dinner.

**2017-18 PROPOSED SLATE OF OFFICERS:**

The Board Development Committee is developing a slate of officers for next fiscal year which will be provided to all Board members in April. A ballot will be provided at our annual Board meeting in May.

**RE-ELECTION OF CURRENT BOARD MEMBERS:**

The Board Development Committee recommends the following Board members who are eligible to be elected to serve another term on the Board. A ballot will be provided at our annual Board meeting in May.

Ron Bergmann	eligible for a 2 year term
LaVelle Gate	eligible for a 2 year term

**FILLING VACANCIES:**

There are two current Board members whose terms will expire and who are not eligible to be reelected. They are: John Rea, and Doug Erber. We thank them for their service and will give special recognition to them at our upcoming Board Retreat.

Former HRC Board members David Gauthier and Joe Czarske are recommended for election to the Board to fill the vacancies. The committee is in the process of recruiting another HRC client for the Board due to the fact that Jaime Martinez has had difficulty in attending our meetings and has indicated he will not be able to continue as a Board member.

Ballots will be provided at the May Board meeting.

**Harbor Regional Center**  
**Client Advisory Committee**  
**February 11, 2017 Meeting Minutes**

**Members Present:** Deaka Mc Clain-CAC Co-Chairperson ; Rita Theodore; Danielle Schorr; Debbie Howard; Connie Leuck; Michelle Roach; Mead Duley; Tom Basch; Wesley Dale

**HRC Staff Present:** Brent Fryhoff; Kris Zerhusen

**Life Steps Staff Present:** Jenelle Reyes-Tenorio

**Call to Order & Minutes Approved**

Deaka called the meeting to order at 1:07 p.m.

The minutes were unanimously approved by all committee members.

**DDS CAC Update**

Deaka shared the DDS power point presentation about self-determination with the CAC group and had printouts for everyone to follow. The presentation went over what the self-determination program is, when it will start, how a client can get into self-determination, and what to do next. Deaka explained that DDS will randomly pick 2,500 names to be in SDP during the first three year. If you are not picked, you can get on a list to be considered for SDP in the future. Deaka also talked about the Financial Management Service (FMS) and explained who this person is and that they would be helping you with your yearly SDP budget, helping you keep track of your money, paying your workers or provider, and sending report to your service coordinator. She also talked about the Independent Facilitator and that this person is who you can use to find your services and supports, help plan your future, be your advocate, and answer questions about the Self-Determination Program.

CAC members asked who this person could be and the question was answered in the presentation. The Independent Facilitator could be your service coordinator, someone you hire that you pay, a friend who helps you that does not get paid, or a family member who helps you that does not get paid.

**HRC Self Determination Committee Update**

Deaka shared with the CAC group that DDS is still waiting for the application for federal funding to be approved and are currently answering a few more questions that the feds have



**HRC Client Advisory Committee Meeting**  
**February 11, 2017 Minutes**  
**Page 2**

regarding the program. CAC members shared at the meeting that they were concerned that the Self Determination Program (SDP) might not get approved by the Feds now that we have a new administration in the White House. Deaka shared that the State is very hopeful the change in Washington will not affect this program and not to worry; however nothing is certain. Deaka let the CAC members know that they continue to meet on a regular basis to discuss the self-determination. This is open to the public and all CAC members present were encouraged to attend the next meeting if available.

**Community Outreach**

The HRC Client Advisory Committee discussed possible Community Outreach ideas and voted that they would like to participate in the Special Olympic Games this year cheering on athletes at the 2017 event hosted at Cal State Long Beach. Deaka will get more information to CAC members as the time gets closer to the Special Olympics. The CAC group would also like to visit a Partial Work Program before August of this year to present to clients what the Client Advisory Committee is all about and to possibly get more members to join the CAC.

**Regional Center Update**

Brent shared with the CAC members that HRC is currently down to 5 clients at Fairview Developmental Center. We are also down to 35 clients in Skilled Nursing Homes. There continues to be a huge push to get clients out of large facilities and into more community integrated settings.

Brent discussed the CMS ruling that will be implemented in March of 2019 and explained how this will change the way service providers run their programs. Day Programs and Group Homes will be required to have more opportunities of true community integration, client choice, and employment options. HRC is meeting with providers to assist them in making the necessary changes in order for them to be in compliance by 2019.

Brent also shared with the CAC members that Harbor Regional Center will be going through the HCBS Medicaid Waiver Audit in April of this year. DDS will randomly select a group of clients to audit. The DDS auditors will visit HRC and will be reviewing case records, interviewing HRC staff, interviewing clients, interviewing providers/families, and visiting licensed day programs/ group homes of the clients selected for the audit. HRC wants to do well during this audit since this is tied to the continuation of federal dollars that comes into the Regional Center system and makes it possible for HRC to have good quality services.

**HRC Client Advisory Committee Meeting  
February 11, 2017 Minutes  
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**Open Discussion of possible guest speakers and or trainings in 2017**

The CAC group discussed various options of training topics and guest speakers for the remainder of the year. The group brainstormed together and decided that they would like a guest speaker from the State Council on Developmental Disabilities L.A. office to speak on Self-Determination at the May meeting in Long Beach. This training would provide a good overview of the new way to access regional center services. Deaka will also present about emergency preparedness from a DDS CAC training at the May meeting. In August most likely Nancy Spiegel will go over the HRC Performance Plan and in November the group decided to have ACCESS Transportation Service come and present about changes in their service. It has been several years since ACCESS has come to present.

**Adjournment**

Deaka adjourned the meeting at 3:00 p.m.

**Next CAC Meeting**

The next Client Advisory Meeting will be held on Saturday May 13, 2017 at HRC Long Beach office.

## **Client Services Committee**

Date: February 28, 2017

Time: 6-8 Pm

Attendees: Antoinette Perez, Patricia Jordan (Chair), Deaka McClain, LaVelle Gates, David Gauthier, Fu-Tien Chiou, Ronda Kopito

The group met for its 4<sup>th</sup> session on Behavioral Health Treatment (BHT) and Insurance. After review all of the material presented during the previous three sessions, the group advised the following:

1. Consideration of using more simplified language for training of HRC Staff so that communication with clients/ families can be clear and concise as the subject matter is very complicated.
2. HRC should revisit how HRC shares information with clients/families -HRC training materials -HRC Making It Happen Booklet -Accessibility of materials (languages, communication forms)
3. HRC should make more accessible training specifically on BHT and Insurance for clients/ parents regarding BHT/ Insurance- Consider group training/ clinic format similar to Bet Zdek's Conservatorship Clinic in which groups of families can meet with HRC's Benefits Specialist to review how to navigate insurance and what to expect from the process.\*\*\* HRC should reconsider \$5 fee (parents are often embarrassed to request that the fee be waived)
4. HRC should train/ collaborate with schools on the subject matter so it is consistent with what HRC is telling families (sharing of materials).
5. Transparency- clear direction regarding what HRC can do and when we can step in if insurance is being difficult (Interim funding by HRC while families pursue insurance).
6. Create specific policy on BHT/ Insurance/ co-pays- Include language regarding FFS Medical.
7. List of which providers typically work with specific MCP to be accessible to families through HRC website.
8. Create FAQ's or cheat sheet that is accessible for families- using simple language.

The group discussed current Materials that have not been reviewed by CSC but that HRC has on the subject matter including the Making it Happen Booklet. Materials will be reviewed at next CSC meeting and any additional advisement on Behavioral Health Treatment and Insurance will be made at that time.

The group discussed proposal to begin rotating the CSC meeting location between Torrance and Long Beach beginning the in April. All members are in favor.

The group also discussed proposal for next series of CSC meetings to focus on the subject matter of Transition to Adulthood. All members are in favor.

**HARBOR REGIONAL CENTER**  
**Community Relations Committee**  
**February 21, 2017**

Attended by Monica Sifuentes, David Gauthier, Terri Nishimura, David Bourassa, and Nancy Spiegel

**Legislative Advocacy**

Members of this committee, David Gauthier and Terri Nishimura, along with Board member LaVelle Gates, are preparing now to attend the Association of Regional Center Agencies (ARCA) Grass Roots Day at the Capitol in April, as HRC's team of parent, client, and service provider. Meetings will be scheduled with our local representatives in the Senate and Assembly.

Locally we will also continue to reach out to new and returning representatives and their staff to provide information, and offer tours of services in their districts.

Nancy provided an updated list of our local representatives, which is also available on our website.

Terri shared a list of pending legislation which she received at a Policy Roundtable for Child Care and Development, and asked whether we could obtain a similar survey from ARCA. Nancy will follow up.

**Outreach and Community Relations**

Nancy is scheduled to meet with the Outreach Coordinator at Molina Healthcare to explore building upon our relationship for outreach, referral, and serving our clients, including possible support for the Harbor Help Fund.

**Harbor Help Fund, In-Kind Support, and Holiday Giving Campaign**

Nancy provided an update on the very successful Holiday Giving program which provided for families in need during the recent holiday season. 169 of our neediest families were adopted and many more were provided with gift cards purchased through the Harbor Help Fund. Due to very generous donations of toys, blankets, etc we were able to share these gifts with even more families.

By the end of January, we had raised \$21,842 for the Harbor Help Fund, to help cover the cost of the Holiday Giving Program. Of this, almost \$16,000 was received in monetary donations from individuals, businesses and groups. The remainder was received in the form of philanthropic grants to the Harbor Help Fund.

Nancy announced an upcoming FUNraiser event to be held on Sunday April 23<sup>rd</sup> at 1:00 pm at the LA Galaxy Soccer game at the StubHub Center. A portion of the proceeds from each ticket will benefit the Harbor Help Fund. Ticket sales information will be announced in our Enews, Facebook, etc. .

**Harbor Regional Center  
Service Provider Advisory Committee  
Minutes: February 7, 2017**

**Members Present:** Kristine Engels, Patricia Flores, Life Steps Foundation; Bryan Barber, Cambrian Homecare; Alex Saldana, Patty Solorzarrio, Oxford Home Care; Kristy Glass, Able Arts Work; Dee Prescott, Easter Seal Southern California; Mary Grace Lagasca, InJOY Life Resources; Rob Haupt, Autism Spectrum Therapies; Stan Jones, Goodwill, SOLAC; Lillian Fine, Options for Birth and Family; Corina DeLeon, Integrated Life; Jose Guzman, Ambitions; Louise Scott, ICAN; Clare Gray, South Bay Vocational Center; Jessica Beltran, Roundtrip Transportation; Nancy Langdon, Canyon Verde College; Steve Goclowski, California Mentor; Mark Steidl, Pathpoint; Jazmin Zimmerman, Dungarvin

**HRC Staff Present:** Pat Del Monico; HRC Executive Director; Maria Elena Walsh, Assistant Manager; HRC Resource and Technology Center; Colleen Mock, HRC Community Services Director

**HRC Resource and Technology Center Update:**

Ms. Maria Elena Walsh announced that the Long Beach Resource Center is open. There are many developmental toys that are available to be checked out. She also discussed the family support programs including parent support groups and sibling clubs.

Ms. Walsh also reviewed the HRC book ‘Places to Go and Things to Do’

**Presentation on the service provided by California Mentor:**

Mr. Steve Goclowski presented on the services provided by California Mentor for adults. The agency has day programs, licensed homes and Family Home agencies throughout the state of California

**CMS-HCBS:**

Ms. Mock announced that DDS has not yet provided feedback regarding the service provider CMS proposals but the awards should be announced the end of February.

She also distributed a recent DDS Fact sheet about CMS and announced that HRC will be having Laura Bracken present on the CMS Final Rules for HRC staff and service providers on 2/21/17.

**HRC Service Provider Advisory Committee**  
**2/7/17 Meeting Minutes**  
**Page 2**

**Self-Determination Update**

Ms. Mock noted DDS has been preparing the training materials that have not yet been made available for distribution.

**1/1/17 Minimum Wage Update**

Ms. Mock reminded the committee that the 7/1/17 minimum wage worksheet is available to download from the HRC website, [www.harborrc.org](http://www.harborrc.org) under the service provider section. This worksheet is due by 3/1/17.

**Harbor Regional Center Update**

Ms. Mock also announced that the HRC Long Beach office is now open.

She also announced that that Ms. Heather Clark-Sheppard is no longer Director of Early Childhood Services and interviews are underway.

Ms. Mock also noted that there are 28 clients who are have been competitively employed and the supported employment agencies are eligible to receive the incentive funding. There are 5 HRC clients who are employed by internships.

**Service Provider Training**

Ms. Mock announced that HRC will be offering two sessions of cultural diversity training for service providers on 3/9/17.

**The HRC Service Provider Advisory Meeting Schedule for 2017**

April 4, 2017  
June 6, 2017  
August 1, 2017  
October 3, 2017  
December 5, 2017



**Harbor Regional Center  
Retirement Committee Meeting Minutes  
February 27, 2017**

In attendance: Jim Flores, Chairperson  
Joe Czarske, Member  
John Rea, Member  
Tammy Carter, Director of Human Resources  
Kaye Quintero, Controller  
Judy Wada, CFO  
Mark Grushkin, Littler Mendelson

The Committee reviewed the materials from the prior meeting held on August 16, 2016. The Committee reviewed the one-time supplemental contribution that was processed on November 18, 2016 and the matching program that went into effect on November 7, 2016. The group reviewed the Retirement Committee Report for the quarter ending December 31, 2016 (attached). They discussed the background and types of retirement plans HRC has in place.

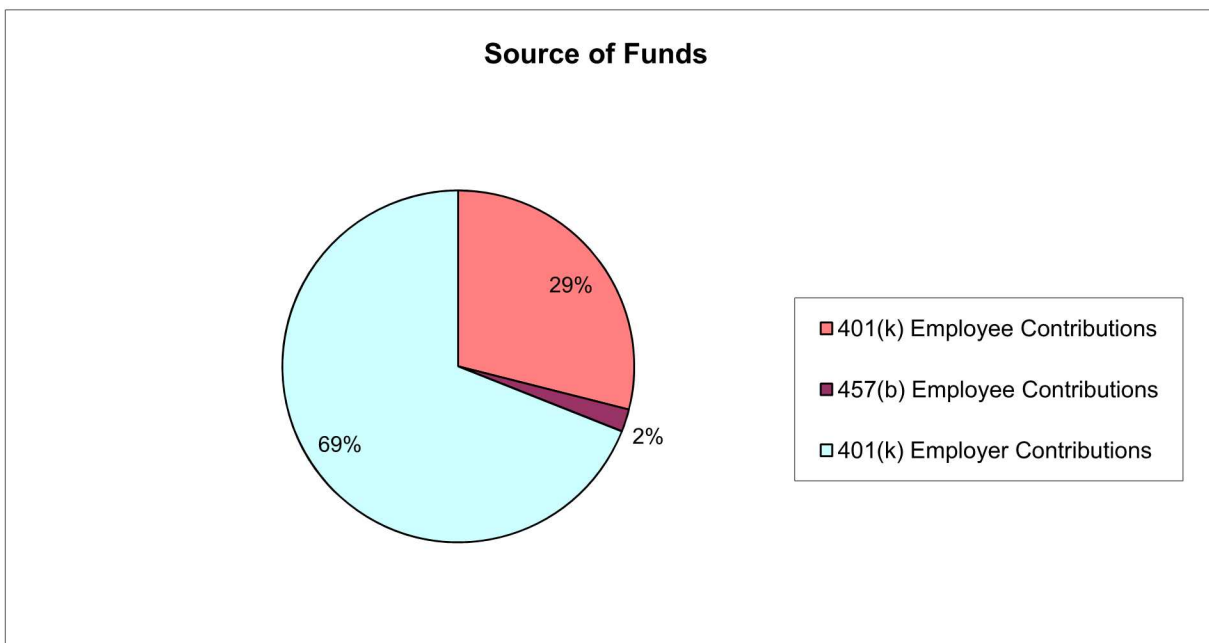
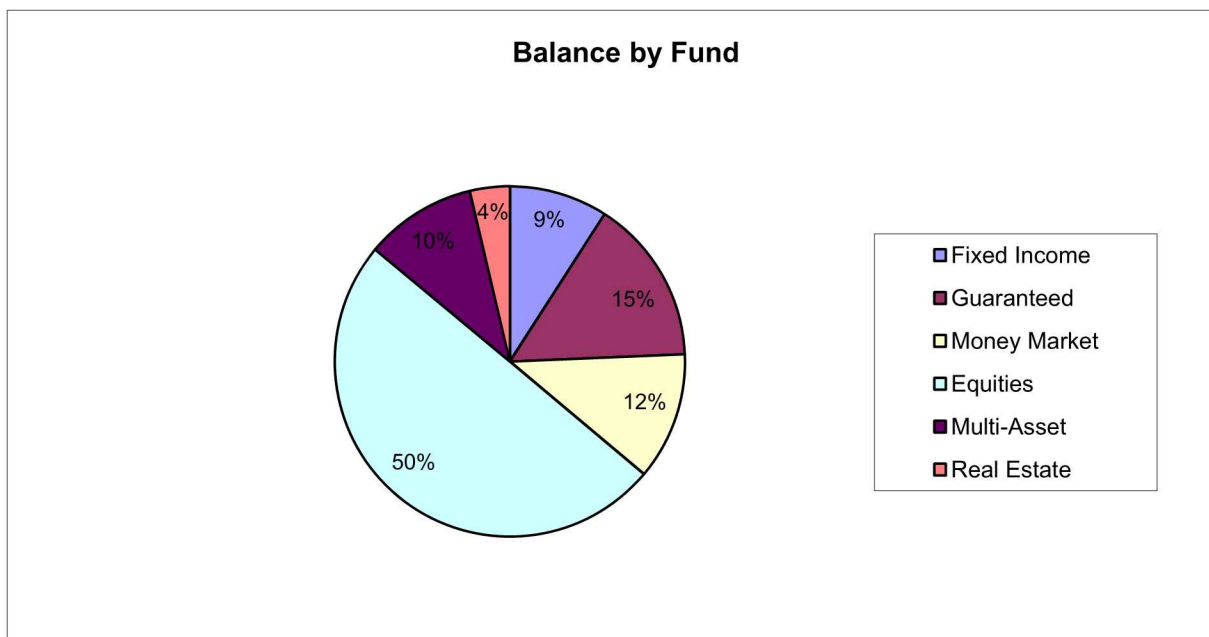
The Committee will receive quarterly reports via email. The Committee will schedule meetings as needed.

jnw

**Harbor Regional Center  
Retirement Plan Balances as of 12-31-2016**

	<b>401(k) Employee Contributions</b>	<b>457(b) Employee Contributions</b>	<b>401(k) Employer Contributions</b>	<b>Total Balance</b>
Fixed Income	\$1,027,716	\$68,815	\$2,694,057	\$3,790,588
Guaranteed	\$2,166,305	\$519,374	\$3,675,038	\$6,360,717
Money Market	\$887,272	\$32,232	\$3,990,606	\$4,910,111
Equities	\$6,232,901	\$242,215	\$14,341,452	\$20,816,568
Multi-Asset	\$1,101,386	\$0	\$3,194,545	\$4,295,931
Real Estate	\$652,079	\$2,027	\$877,832	\$1,531,938
<b>Total</b>	<b>\$12,067,659</b>	<b>\$864,664</b>	<b>\$28,773,530</b>	<b>\$41,705,853</b>

\* Plan Balances include active and terminated employees still in the Retirement Plan.  
 \*\* Employee Contributions include \$1,764,870 in Rollover funds.



**Harbor Regional Center  
Retirement Plan Performance**

	<u>401(k)</u>	<u>457(b)</u>	
<b>Fund Balance 9/30/16</b>	<b>\$39,744,678</b>	<b>\$853,561</b>	
Activity 10/1/16 - 12/31/16			
Distributions	(\$229,301)	\$0	
Contributions	<u>\$591,356</u>	<u>\$9,941</u>	
Net	\$40,106,733	\$863,503	
<b>Fund Balance 12/31/16</b>	<b>\$40,841,189</b>	<b>\$864,664</b>	
Gain/(Loss)	\$734,456	\$1,161	
% Gain/(Loss) for the Period	1.85%	0.14%	
<b>Active Employees in Retirement Plan</b>	299	5	55%
<b>Terminated Employees in Retirement Plan</b>	248	4	45%
<b>Active Employees Total Balance</b>	\$28,122,285	\$599,842	69%
<b>Terminated Employees Total Balance</b>	\$12,718,903	\$264,822	31%
<b><u>Loan Information</u></b>	<b><u>as of</u></b>	<b><u>as of</u></b>	<b><u>Increase/</u></b>
	<b><u>9/30/2016</u></b>	<b><u>12/31/2016</u></b>	<b><u>(Decrease)</u></b>
Employees with Loans			
Active Employees with Loans	31	30	(1)
Terminated Employees with Loans	<u>8</u>	<u>8</u>	<u>0</u>
Total	39	38	(1)
Average Balance Amount	\$7,109	\$7,026	(\$83)
Loan Value			
Employee Contributions	\$275,077	\$265,124	(\$9,953)
Employer Contributions	<u>\$2,157</u>	<u>\$1,859</u>	<u>(\$298)</u>
Total	\$277,234	\$266,983	(\$10,251)



# Harbor Regional Center

## Self Determination Advisory Committee

Minutes, January 11, 2017

6:10pm Call to Order

Roll call: Ray Ceragioli, Miriam Kang, Linda Chan Rapp, Rosalinda Garcia, Deaka McClain, Mariano Sanz, Gail Skvirsky-Bohn, Mary Hernandez, Liz Cohen, Marsha Johnson

1. Quorum established. Introduction of Committee members, and welcome to guests.
2. Minutes from October 12, 2016 were read and approved unanimously.
3. Agency Update – Mary Hernandez
  - a. Harbor Regional Center:
    1. Long Beach HRC office remodeling is almost complete, and the grand opening is anticipated for February.
    2. Two coordinators from each department – Early Intervention, 5-22 yrs, 22+ year – are being selected to serve as coordinators for those clients selected for the Self-Determination Program [SDP]. They will receive training and serve as specialists in their respective departments, and those case coordinators should be identified by next month.
  - c. Currently the training materials promised by DDS to be done in October 2016 have not yet been received. Linda Chan Rapp noted that this committee did review some skeletal powerpoints from DDS in October although they were primarily rough cut-and-paste quotes from the law itself. At this point, in terms of viable training materials, those prepared by the State Council on Developmental Disabilities (e.g., Chris Arroyo), or powerpoint presentations developed by Mary H. are more audience friendly [Miriam K, Mary H.].
  - d. Miriam Kang asked how the new administration would affect approval/funding for the CMS waiver needed to fund Self-Determination. It was mentioned that President Trump could make changes to Medicaid which might affect its chances for approval – but we really don't know [MH]. Ray Ceragioli talked with a DDS source yesterday who also said they do not know. -- the California Self Determination legislation was signed into law on October 9, 2013, with no dissenting votes. Yet, Federal funds to help run the program still are not available over three years later. However, Gail Skvirsky-Bohn noted that the Self Determination program makes good financial sense – it is least restrictive as well as proven to be cost-effective. Mariano Sanz raised the question: if matching federal funds are not forthcoming or delayed what would happen? We keep going forward... [M.H.]
  - e. As for the initial roll out it is not clear as to whether the total quota of participants are to be brought into the program at the start of the 3-yr roll-out -- or phased in gradually with 1/3 of the quota assigned to HRC selected to participate in year one, a second 1/3 added in year

two, and a final third added in year 3.

f. Long Beach Unified, Palos Verdes Unified School Districts have contacted HRC for training. They are interested in the basics of what is currently known re: self-determination. Other potential opportunities include presentations to parent support groups.

4. Miriam Kang -- summary of the State Self-Det. Advisory Committee meeting 9/ 27/2016  
Discussion primarily focused on what should happen under the Self-Determination Program in the event that abuse occurs.

According to Mary H., HRC Vended service providers operate under the following protocol:

- call immediately to report incident
- within 24 hours submit a written report
- within 48 hours submit a report to Department of Developmental Services

To ensure non-vented service providers under SDP are accountable, reporting measures need to be delineated regarding abuse and neglect. The committee reviewed a training video (see link below) and a statement defining abuse and neglect, plus how to handle such situations as well as identifying who are mandated reporters – and what agencies need to be informed when an incident involving abuse or neglect occurs. According to this document,

All incidents **MUST** be reported to the regional center and one or more of the following agencies for investigation and resolution:

- **Adult Protective Services**– for adults and elders
- **The Long-Term Care Ombudsman** – for individuals living in long-term care facilities;
- **Child Protective Services** – for children under the age of 18; and
- **Local law enforcement.**

Provide phone numbers for these local entities. A list of county phone numbers can be found here:

<http://www.ddssafety.net/safety/abuse-and-neglect/physical-and-sexual-abuse-among-individuals-developmental-disabilities>

How have such situations been handled under the Self-Determination Pilot? [Mariano S., Mary H.]

Suggestion: contact Adult/Child Protective Services before calling the police [Ray C., Mariano S., Liz S-B].

## 5. CMS Informal Response

The Department of Developmental Services [DDS] is talking informally with the Center for Medicare and Medicaid Services [CMS] to address the questions raised regarding the California application for CMS waiver in order to fund the California Self-Determination Program. According to Jim Knight, head of DDS, the waiver application is close to re-submission, perhaps at the first of the year. The application will then be open for public comment for 30 days and then then CMS will have 90 days to act on our waiver application. If it is approved at that time, the 13,000 Harbor Regional Center clients will be notified and pre-enrollment training will roll out.

## 6. Revised Financial Management Services [FMS]

The committee reviewed a powerpoint that covers the role of the Financial Manager, how this service relates to the client as well as to the Regional Center, and the different possible relationships between the client and the FMS. Miriam K. sparked a discussion as to how will budgets be audited to ensure service providers are in fact rendering services as contracted. Rosalind G. eventually noted that this discussion went beyond the scope of our mandate as an advisory committee.

## 7. Pre-Enrollment Process

Pre-enrollment training is mandatory before a client (or client's family) name and contact info are submitted to DDS on a standardized "attendance verification" for the selection lottery in the initial roll-out of SDP. Families/clients who are interested may attend a training at any regional center since the information at the trainings will be the same; DDS wants to keep all training materials consistent [Mariano S.].

Mary H. noted that HRC has a blanket plan to notify clients when it is time for the roll-out. However at this time there are waiting for many unanswered questions to be clarified.

## 8. Proposed agenda for future meetings

- Review a flow chart of the Blanket Plan, brainstorm [Linda C-R, Deaka M].

Mariano S. cautioned us from straying from our role as an advisory committee as defined by law; dissemination is not *required* in our job description. Mary H. suggested that our February agenda can include brainstorming outreach plans. Deaka M. reminded us that not everyone has e-mail, and suggested the service coordinators be points of contact for each family. Mary H. volunteered to follow up with service coordinators to clarify instructions on using the HRC self-determination flyer [available since 5/16 (L.C.R.)], plus other information to introduce SDP to families/ clients.

## 9. Public Comment:

- Questions about self-determination and whether it was happening or not led to Ray C. giving a succinct historical overview of the law.

- One parent expressed frustration in getting answers and services explained for her child;



she had not been able to get information about self-determination from her coordinator either (and Linda C.R. affirmed that she was not alone). Mary H. offered to talk with that parent after the meeting.

Next meeting: Wednesday February 8, 6-8 pm, at Long Beach HRC Office if the remodel is complete. \*Mary Hernandez will contact us if there is a change.\* Note: Our March meeting will be on 3/15.

Adjournment: 7:53 pm



## Self-Determination Advisory Committee, Harbor Regional Center Minutes, February 8, 2017

6:08 Call to Order – quorum established

*Roll call:* Ray Ceragioli, Miriam Kang, Linda Chan Rapp, David Gauthier, Carola Maranon, Deaka McClain, Mariano Sanz, Marsha Johnson, Christofer Arroyo, Mary Hernandez, Liz Cohen-Zeboulon

1. *Welcome:* introduction of committee members and guests

2. *Minutes* from January 11, 2017 were read and unanimously approved.

3. *Harbor Regional Center Update:*

a. Mary Hernandez held another Self-Determination Overview as **staff training** for new staff and for those needing a refresher. Regular overviews are planned to make sure new staff are knowledgeable; service coordinators can also refer families with questions to herself or to the coordinators who will be selected to especially focus on self-determination. She herself regularly fields inquiries from families regarding the Self-Determination Program [SDP], giving information and correcting misinformation.

b. **School District outreach** – Palos Verdes Unified School District – Mary H gave an overview of self-determination to educators, and also spoke to the Adult Transition families, fielding questions as well as clarifying miscommunication and misconceptions about self-determination. Mariano Sanz was present at one of these meetings. Contact with Long Beach Unified School District has also been made for a future training.

c. Regional Center [RC] Joint meeting is coming in March 2017, and Jim Knight of the Department of Developmental Services will be present.

4. *Waiver Update & Center for Medicaid and Medicare Services [CMS] Informal Response*

a. Of the 2500 **available slots** for the California Self-Determination Program [SDP] initial roll-out, 150 will be pre-assigned to those currently enrolled through the SDP Pilot Program. Miriam Kang noted that none of those in the pilot program dropped out although some moved away and were thus no longer eligible for SDP. Chris Arroyo added that the pilot was universally well-received as well as proving to be cost effective.

That leaves 2350 open slots to be assigned to the various regional centers. Of the 98 slots allotted to Harbor Regional Center[HRC], 97 slots are open, since one will be automatically given to someone who already was in the pilot.

Regarding the question as to whether the full allotment of **SDP slots** will open during the first year of roll-out, Chris A said that DDS is leaning toward enrolling 1/3 of the allotted participants the first year, with an additional third to be added the 2<sup>nd</sup> year of roll out, and the final third added the last year of roll out before SDP opens up to all RC clients.

b. **CMS waiver questions:** From the 180 questions that the Centers for Medicare and Medicaid Services [CMS] sent the Department of Developmental Services [DDS] in response to the California waiver application, through informal discussion with CMS, DDS has reduced those questions to just 15. Thus significant progress has been made toward revising the state application for a CMS waiver, crucial to funding the Self-Determination Program. Several of the remaining 15 questions involve simple wording changes, so DDS is hopeful that an acceptable response to those questions can be submitted in the near future.

Mary Hernandez – Example of a more substantive change needed: The question of how financial management services will be funded needs to be clarified.

c. **Time table:** once a finalized response to the CMS questions is created and appropriate revisions to the California CMS Waiver application are made, a 30 day public comment window will begin. At the end of that period, the waiver application + questions will be formally re-submitted to CMS and that agency has 90 days to respond to our application. If it is approved, then the roll out for SDP can begin.

David Gauthier asked about how questions generated during the public comment period would be reflected in the waiver application.

Ray Ceragioli noted that at yesterday's Department of Developmental Services [DDS] meeting (2/7/17), it was stated that these remaining 15 questions should be resolved within 90 days. However there is concern about how the new administration will impact the possibility of approval.

Mary H: There is a lot of speculation but we really don't know; we need to keep moving forward.

## 5. *Training ideas for client/families*

a. The committee reviewed "**Your Life – Your Way**," a proposed training powerpoint developed by Judy Marks and the Self Determination Advisory Committee at Westside Regional Center. Currently there is ongoing discussion with DDS for making it more generally available in some form.

Chris A: This presentation has been developed with client-input, with group word-smithing so that the information would be clear and comprehensible.

Miriam K: the graphics and tone are upbeat and appealing.

"If you don't get what you need, appeal at a fair hearing" – Certain tips given in "Your Life – Your Way" might not be appropriate for statewide training. A copy of this powerpoint will be placed in the dropbox. Keep in mind that this presentation is just one suggested tool; there are other presentations such as the ones the State Council on Developmental Disabilities [SDCC] has created or that the overview HRC has been using. [Mary H.]. At this point we do not know what the **official DDS SDP training materials** will look like.

b. **Needs-based planning:** Clients/families should have a meeting to discuss needs [Mary H]; document unmet needs, e.g., if you lost previously funded services in 2009 with the budget cuts [Miriam K]. If you are going through a new transition such as when you turn 22, your budget can be adjusted to reflect the supports of someone with like needs. [Chris A]

Note: generic services are not covered in SDP, so you can't say "I want speech from (a particular therapist)" – you need to use providers covered by your insurance.

It's like going through a cafeteria line; you can pick from what is there based on your demonstrated needs, but generic services will not be on the menu [Linda Chan Rapp].

Unmet needs: Mariano Sanz gave the example of the need for socialization support, and Carola Maranon gave the example of her son not being covered in their new insurance.

## c. **Training and outreach** ideas:

(1) 11,000 families served by HRC – how can they be reached? There is a need to work with support groups, service providers and school districts, as well as online contacts and e-lists. Clients can also be informed as part of their Individual Program Plan (IPP) or Individualized Family Service Plan (IFSP).

(2) SDP Training materials will be uniform throughout the state but finalized materials are not available yet. Clients and families may go to any RC-sponsored SDP pre-enrollment training.

(3) Linda C-R volunteered to contact Transition programs in the HRC catchment area about possible SDP Overview presentations.

(4) Deaka McClain asked whether there was any negative feedback from the SDP pilot. Chris A said the only negative comments he has heard was from those who moved away; they wished they had never moved and as a consequence left the SDP! Liz Harrell who headed up the pilot at East Los Angeles RC would know more... SDP is not for everybody though; with choice comes responsibility (Miriam K, Mary H). Ray C added Michigan has the #1 SDP in the country.

(5) The committee consensus was that it would be a good idea to invite someone involved in the SDP pilot to share at our next meeting. Chris A. said he would ask someone in the SCDD office to invite someone.

(6) Harbor Regional Center SDP Web-page <http://www.harborrc.org/services/sdp> suggestions:

- Ray C suggested that a link to the Self-Determination law be added
- Linda C R suggested the minutes of this committee also be linked there.

#### 6. Announcements:

Chris Arroyo shared flyers on the following upcoming meetings and workshops:

**Get Educated!** free trainings on Mondays from 4:30-6:30 pm Feb-July 2017 at the State Council on Developmental Disabilities [SCDD] Los Angeles Office, 411 N. Central Ave Suite 620, Glendale, CA 818-543-4631. Topics include:

IEP strategy, Bullying, Special Education Evaluations, Overview of Self-Determination, Person-Centered Planning, Work incentives for SSI [Supplemental Security Income] recipients, SSI eligibility, Able Act, Systems Overview, How to Testify, Fair Hearings, writing Special Ed State Compliance Complaints. *For more info and to RSVP, call SCDD or check out the flyer* <<http://scdd.blogs.ca.gov/files/2016/10/2016-Training-flyer.pdf>>

**Work/Savings/SSI Benefits: What you should know** – Sat. Feb. 15, 2017, 9am-12 noon, New Horizons in North Hills. Contact: Sharoll Jackson at [sjackson@newhorizons-sfv.org](mailto:sjackson@newhorizons-sfv.org)

**Changes and Choices: Leading The Charge Conference** (organized by SCDD) – 3/2/17 This conference is already sold out.

**Regional Center Purchase of Service [POS] Disparity Hearings: Dates, Times, Locations** – Harbor Regional Center [HRC] POS hearings will be

3/23/17, 3-5 pm, at HRC, 21231 Hawthorne Blvd, Torrance

3/30/17, 6-8 pm, at HRC, 1155 E. San Antonio Dr., Long Beach

SCDD also provided a chart on All California Regional Centers Total Annual Expenditures and Authorized Services 2014-15.

7. *Public Comments* – Tracy Barrow (parent) and Kathy Seid-Eriksson (parent) made an appeal for a **comprehensive outreach plan** so that different groups and school districts would be in the communication loop about self-determination. They called for the formulation of a Roll-Out Plan.

Mary H noted that HRC could send out a mass mailing, and is available to target school districts and day programs with an information flyer, as well as hold group trainings.

Next month's topic: How can we get the word out? Come prepared in March to discuss and brainstorm.

8. *Next meeting:* Wednesday March 15, 2017, 6-8 pm at the  
**Harbor Regional Center, Long Beach Office**  
1155 E. San Antonio Drive  
Long Beach CA, 90807

*Meeting Adjourned 7:47pm*

Minutes submitted by Linda Chan Rapp

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**Abbreviations**

CMS – Centers for Medicare and Medicaid Services

DDS – Department of Developmental Services

FMS – Financial Management Services

HRC – Harbor Regional Center

POS – Purchase of Service

IPP – Individual Program Plan

IFSP – Individualized Family Service Plan

RC – Regional Center

SCDD – State Council on Developmental Disabilities

SDP – Self-Determination Program

SSI – Supplemental Security Income