



Financial Statements
June 30, 2023 and 2022

CONTENTS

Independent Auditors' Report.....	1-3
Statements of Financial Position.....	4
Statements of Activities	5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to the Financial Statements	9-24
Schedule of Expenditures of Federal Awards	25
Notes to the Schedule of Expenditures of Federal Awards	26
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	29-31
Schedule of Findings and Questioned Costs.....	32

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
North Bay Developmental Disabilities Services, Inc.

Report on Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of North Bay Developmental Disabilities Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of North Bay Developmental Disabilities Services, Inc. (the Center) as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Note 4, North Bay Developmental Disabilities Services, Inc. provides retirement benefits through its participation in the California Public Employees Retirement System ("CalPERS"). Because most of the member entities in CalPERS are governmental entities, CalPERS calculates the members' funded or unfunded status using methods and actuarial assumptions promulgated by Government Accounting Standard Board (GASB) in GASB Statement No. 68 Accounting and Financial Reporting for Pensions. As a nonprofit organization, North Bay Developmental Disabilities Services, Inc. is required to use the accounting framework based on standards promulgated by the Financial Accounting Standard Board ("FASB"), and Accounting Standards Update 715 (ASU 715) – Compensation: Retirement Benefits – Defined Benefit Pension Plans, which requires different methods and actuarial assumptions than GASB. North Bay Developmental Disabilities Services, Inc. reports its unfunded status using the actuarial report provided by CalPERS using GASB Statement No. 68 methods and actuarial assumptions, which is a departure from accounting principles generally accepted in the United States of America. Management did not prepare an actuarial report in accordance with FASB's methods and actuarial assumptions. Accordingly, we were unable to obtain sufficient appropriate audit evidence about North Bay Developmental Disabilities Services, Inc.'s amounts reported on the financial statements as receivable from state for pension plan liability, pension plan liability, contracts – state of California portion related to pension liability, and changes other than net periodic pension benefit costs by other auditing procedures. The effects on the accompanying financial statements of the failure to record the pension plan liability and related accounts in accordance with FASB have not been determined.

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 1, beginning July 1, 2022 the Center adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* and its related amendments using the modified-retrospective transition method. Our opinion is not modified with respect to this matter.

Supplementary 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2024, on our consideration of the North Bay Developmental Disabilities Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Bay Developmental Disabilities Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Bay Developmental Disabilities Services, Inc.'s internal control over financial reporting and compliance.



Long Beach, California
March 6, 2024

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

	ASSETS	
	June 30,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 44,523,286	\$ 32,385,948
Receivables from Intermediate Care Facility vendors	2,218,845	2,049,217
Prepaid expenses and other assets	367,416	1,462,910
Deposits	80,000	80,000
Receivable from the State for accrued vacation benefits	1,475,292	1,230,814
Receivable from the State for rent	421,591	482,165
Receivable from the State for pension plan liability	18,611,937	18,221,761
Operating lease right-of-use assets	10,664,403	-
TOTAL ASSETS	\$ 78,362,770	\$ 55,912,815
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 38,576,455	\$ 33,042,188
Accrued salaries and payroll taxes	598,603	1,117,410
Accrued vacation benefits	1,475,292	1,230,814
Contract advance - state of California	7,871,930	688,298
Due to the State	261,528	1,059,321
Deferred rent liability	-	482,165
Operating lease liabilities	10,915,591	-
Pension plan liability	18,611,937	18,221,761
	78,311,336	55,841,957
COMMITMENTS AND CONTINGENCIES (Note 6)		
NET ASSETS		
Without donor restrictions	51,434	70,858
TOTAL LIABILITIES AND NET ASSETS	\$ 78,362,770	\$ 55,912,815

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

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

STATEMENTS OF ACTIVITIES

	For the Year Ended	
	June 30,	
	<u>2023</u>	<u>2022</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Contracts - state of California	\$ 409,637,472	\$ 365,760,088
Intermediate Care Facility supplemental service income	5,171,161	4,061,591
CARES Act - Provider Relief Fund	-	133,879
Interest income	7,487	5,498
Other income	11,574	12,089
Total Support and Revenue	<u>414,827,694</u>	<u>369,973,145</u>
EXPENSES		
Program services		
Direct client services	408,095,974	355,718,928
Supporting services		
General and administrative	<u>6,360,968</u>	<u>5,327,998</u>
Total Expenses	<u>414,456,942</u>	<u>361,046,926</u>
CHANGE IN NET ASSETS BEFORE CHANGES OTHER THAN NET PERIODIC PENSION BENEFIT COSTS	370,752	8,926,219
CHANGES OTHER THAN NET PERIODIC PENSION BENEFIT COSTS	<u>(390,176)</u>	<u>(8,929,931)</u>
CHANGE IN NET ASSETS	(19,424)	(3,712)
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	<u>70,858</u>	<u>74,570</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u><u>\$ 51,434</u></u>	<u><u>\$ 70,858</u></u>

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

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services	Supporting Services		General and Administrative	Total
	Direct Client Services			General and Administrative	Total
Salaries and related expenses					
Salaries	\$ 18,657,980	\$ 1,989,749	\$	20,647,729	20,647,729
Employee health and other benefits	5,707,432	626,837		6,334,269	6,334,269
Total salaries and related expenses	24,365,412	2,616,586		26,981,998	26,981,998
Purchase of services					
Other purchase of services	189,926,741	-	189,926,741	-	189,926,741
Day programs	67,270,157	-	67,270,157	-	67,270,157
Residential care facilities	124,680,017	-	124,680,017	-	124,680,017
Occupancy	1,694,660	180,724	1,875,384	-	1,875,384
General office expenses	-	453,655	453,655	-	453,655
Equipment rental	-	52,988	52,988	-	52,988
Professional fees	-	600,096	600,096	-	600,096
Equipment purchases	-	613,862	613,862	-	613,862
Travel	-	230,165	230,165	-	230,165
Communication	-	412,190	412,190	-	412,190
Insurance	158,987	-	158,987	-	158,987
Equipment maintenance	-	17,395	17,395	-	17,395
Contract and consulting fees	-	1,040,633	1,040,633	-	1,040,633
Data processing	-	84,645	84,645	-	84,645
Security	-	25,127	25,127	-	25,127
Bank charges	-	29,202	29,202	-	29,202
Board expenses	-	3,700	3,700	-	3,700
TOTAL EXPENSES	\$ 408,095,974	\$ 6,360,968	\$ 414,456,942	\$ 6,360,968	\$ 414,456,942

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

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Supporting Services		General and Administrative		Total
	Direct Client Services			General and Administrative		Total
Salaries and related expenses						
Salaries	\$ 15,218,268	\$ 2,048,279	\$	17,266,547		\$ 17,266,547
Employee health and other benefits	3,783,755	498,007		4,281,762		4,281,762
Total salaries and related expenses	19,002,023	2,546,286		21,548,309		21,548,309
Purchase of services						
Other purchase of services	162,651,027	-	-	162,651,027		162,651,027
Day programs	60,466,677	-	-	60,466,677		60,466,677
Residential care facilities	111,906,900	-	-	111,906,900		111,906,900
Occupancy	1,560,306	209,082		1,769,388		1,769,388
General office expenses	-	481,352		481,352		481,352
Equipment rental	-	69,008		69,008		69,008
Professional fees	-	195,543		195,543		195,543
Equipment purchases	-	452,142		452,142		452,142
Travel	-	107,331		107,331		107,331
Communication	-	254,186		254,186		254,186
Insurance	131,995	-	-	131,995		131,995
Equipment maintenance	-	18,341		18,341		18,341
Contract and consulting fees	-	877,761		877,761		877,761
Data processing	-	46,602		46,602		46,602
Security	-	20,865		20,865		20,865
Bank charges	-	49,025		49,025		49,025
Board expenses	-	474		474		474
TOTAL EXPENSES	\$ 355,718,928	\$ 5,327,998	\$	361,046,926		\$ 361,046,926

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

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

STATEMENTS OF CASH FLOWS

	For the Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (19,424)	\$ (3,712)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Amortization of operating right-of-use asset	1,467,996	-
(Increase) decrease in:		
Contract receivable - state of California	-	8,684,895
Receivables from Intermediate Care Facility vendors	(169,628)	(449,206)
Prepaid expenses, deposits, and other assets	1,095,494	(829,110)
Receivable from the State for accrued vacation benefits	(244,478)	(88,935)
Receivable from the State for rent	60,574	52,033
Receivable from the State for pension plan liability	(390,176)	(8,929,931)
Accounts payable	5,534,267	(63,087)
Accrued salaries and payroll taxes	(518,807)	488,431
Accrued vacation benefits	244,478	88,935
Contract advance - state of California	7,183,632	688,298
Deferred revenue	-	(133,879)
Due to the State	(797,793)	694,923
Deferred rent liability	-	(52,033)
Pension plan liability	390,176	8,929,931
Operating lease liabilities	(1,698,973)	-
Net Cash Provided By Operating Activities	12,137,338	9,077,553
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,137,338	9,077,553
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	32,385,948	23,308,395
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 44,523,286	\$ 32,385,948

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

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – Summary of Significant Accounting Policies

Basis of Presentation

North Bay Developmental Disabilities Services, Inc. (the Center), doing business as North Bay Regional Center, was incorporated on April 16, 1970, as a California nonprofit corporation. The Center was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Lanterman Act) of the Welfare and Institutions Code of the State of California. In accordance with the Lanterman Act, the Center provides diagnostic evaluations, client program management, and lifelong planning services for persons with developmental disabilities and their families. The Center is one of 21 regional centers within California and serves approximately 14,000 people in the counties of Napa, Solano, and Sonoma.

The Lanterman Act includes governance provisions regarding the composition of the Center's board of directors. The Lanterman Act states that the board shall be comprised of individuals with demonstrated interest in, or knowledge of, developmental disabilities, and other relevant characteristics, and requires that a minimum of 50% of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25% of the members of the governing board shall be persons with developmental disabilities. In addition, a member of a required advisory committee, composed of persons representing the various categories of providers from which the Center purchases client services, shall serve as a member of the regional center board. To comply with the Lanterman Act, the Center's board of directors includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Center and a client service provider of the Center.

State of California Contract

The Center contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for individuals with developmental disabilities and their families. The Center's contracts with the DDS totaled \$535,547,623 for the 2022-2023 contract year and \$408,304,243 for the 2021-2022 contract year which are subject to budget amendments. Amounts received from the DDS contracts are recognized as revenue when the Center has incurred qualifying operational expenditures per the DDS contracts. Amounts received prior to incurring qualifying operational expenditures are recorded as contract advances and are netted with contract receivable for presentation on the statements of financial position. As of June 30, 2023 and 2022, actual net expenditures were \$398,016,958 under the 2022-2023 contact and \$358,101,194 under the 2021-2022 contact. The remaining amounts on the 2022-2023 and 2021-2022 contract years where the Center can be reimbursed for qualifying expenditures are approximately \$137,530,000 and \$50,203,000, respectively, subject to any future budget amendments.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, revenue is recognized when earned and expenses are recognized when the obligation is incurred. Reimbursements from the state of California (the State) are considered earned when a qualifying expense is incurred.

Financial Statement Presentation

The Center is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions: without donor restrictions and with donor restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. The following funds are used by the Center to account for net assets without donor restrictions.

Operating Fund

Accounts in this fund are used to record the primary activities of the Center, which are carried out under the DDS contract. These accounts also record the activities of the Community Placement Plan (“CPP”) and the Early Intervention Program, a federally funded program.

Donation Fund

Accounts in this fund are used to record solicited and unsolicited support received by the Center for the benefit of its clients.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Center or the passage of time. As the restrictions are satisfied, net assets are reclassified as without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Also included in this category are 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, 2023 and 2022, the Center had no net assets with donor restrictions.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and nature of any donor-imposed restrictions.

Contributions, including pledges, 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.

All contributions are considered to be available for unrestricted use unless specially restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. When a donor's stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Permanently restricted contributions 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 U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Principal areas requiring the use of estimates are assumptions utilized for the pension plan and the functional allocation of 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 purposes of the statements of cash flows, the Center considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. At June 30, 2023 and 2022, and at various times during the year, the Center has maintained cash balances in its bank in excess of federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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 Center 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 Center receives a 1.5% administrative fee based on the invoice submitted to DDS for the administrative work to implement the state plan amendment (SPA 07-004).

The DDS has directed the Center to prepare billings for these services on behalf of the ICFs and submit a separate state claim report for these services. The Center was directed to reduce the amount of their regular state claim to DDS by the dollar amount of these services. Reimbursement for these services will be received from the ICFs. DDS advances the amount according to the state claim to the ICFs. The ICFs are then required to pass on the payments received, as well as the Center's administrative fee to the Center within 30 days of receipt of funds from the State Controller's Office.

State Equipment

Pursuant to the terms of the State contract, equipment purchases become the property of the State and, accordingly, are charged as expenses when incurred. For the years ended June 30, 2023 and 2022, equipment purchases totaled approximately \$614,000 and \$452,000, respectively.

Accrued Vacation

The Center has accrued a liability and receivable for vacation leave benefits earned. However, such benefits are reimbursed under the state contract only when actually paid. However, such benefits are reimbursed under the DDS contract only when actually paid.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Provider Relief Funding

On April 10, 2020, the Department of Health & Human Services (HHS) announced the disbursement of the first \$30 billion of the \$100 billion that Congress allocated to hospitals, physicians, and other health care providers in the Public Health and Social Services Emergency Fund in the Coronavirus Aid, Relief and Economic Security Act, also known as the Provider Relief Fund (PRF). Provider Relief Funds may be used to cover lost revenue attributable to COVID-19 or health-related expenses purchased to prevent, prepare for, and respond to COVID-19, including, but not limited to:

- Supplies and equipment used to provide health care services for possible or actual COVID-19 patients
- Workforce training
- Reporting COVID-19 test results to federal, state, or local governments
- Acquiring additional resources, including facilities, equipment, supplies, health care practices, staff, and technology to expand or preserve care delivery

For the year ended June 30, 2022, the Center incurred \$133,879 in qualifying expenses and recognized CARES Act - Provider Relief Fund revenue on the accompanying statements of activities. There were no qualifying expenses or revenue associated with the CARES Act - Provider Relief Fund for the year ended June 30, 2023.

Allocation of Expenses

The statements of functional expenses allocate expenses 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 to program and supporting services based on management's estimates of the benefits the expenses covered.

Income Taxes

The Center 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.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Center 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 Center 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.

Adopted Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued new lease accounting guidance in Accounting Standards Update (ASU) 2016-02 *Leases* (Topic 842) (ASU 2016-02), which modifies lease accounting for lessees to increase transparency and comparability by requiring the Center to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements.

Effective July 1, 2022, the Center adopted ASU 2016-02. The Center determines if an arrangement contains a lease at inception based on whether the Center has the right to control the asset during the contract period and other facts and circumstances. The Center elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The Center's policy for determining its lease discount rate used measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Center has elected to use the risk-free discount rate, as permitted by generally accepted accounting principles in the United States of America (U.S. GAAP), determined using a period comparable with that of the lease term.

The Center has elected a policy to account for short-term leases, defined as any lease with a term less than twelve months, by recognizing all components of the lease payment in the statements of activities in the period in which the obligation for the payments is incurred.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Adopted Accounting Standard (Continued)

The Center adopted ASU 2016-02 utilizing the modified-retrospective transition method through a cumulative-effect adjustment. The adoption of ASU 2016-02 as of July 1, 2022 resulted in the recognition of right-of-use assets of \$4,371,462, net of reclassification of deferred rent of \$482,165, and operating lease liabilities of \$4,853,627. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with the historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on the Center's results of operations, cash flows, or debt covenants.

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which changes the impairment model for most financial instruments, including trade receivables, from an incurred loss method to a new forward-looking approach, based on expected losses. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information, and reasonable and supportable forecasts. This ASU is effective for fiscal years beginning after December 15, 2022. The Center is currently evaluating the potential impact that the adoption of ASU 2016-13 will have on the financial statements.

Subsequent Events

The Center's management has evaluated subsequent events from the statements of financial position date through March 6, 2024, the date the financial statements were available to be issued for the year ended June 30, 2023.

NOTE 2 – Contract Receivable/Contract Advances - State of California

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

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – Contract Receivable/Contract Advances - State of California (Continued)

As of June 30, 2023 and 2022, DDS had advanced the Center, under the regional center contracts, \$123,210,908 and \$99,321,013, respectively. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the claims receivable from DDS as follows:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Contract receivable	\$115,338,978	\$ 98,632,715
Contract advances	<u>(123,210,908)</u>	<u>(99,321,013)</u>
Net contract advances	<u>\$ (7,871,930)</u>	<u>\$ (688,298)</u>

The Center has renewed its contract with the State for the fiscal year ending June 30, 2024. The contract and amendments provides for funding of \$544,658,257.

In addition, the Center has accrued receivables from the State for expenses that will be settled in cash in future years. These expenses are required to be recognized as liabilities under U.S. GAAP; however, such benefits are reimbursed by the state contract only when actually paid. These expenses relate to accrued vacation, deferred rent liability, and pension plan liability.

NOTE 3 – Lease Arrangements

The Center leases its facilities under operating leases with 2-to-10-year initial terms. Most leases include renewal options which can extend the lease term up to 10 years. The exercise of these renewal options is at the sole discretion of the Center, and only lease options that the Center believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

While all of the agreements provide for minimum lease payments, some include payments adjusted for inflation or for variable payments based on a percentage of sales over contractual levels. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3 – Lease Arrangements (Continued)

The following summarizes the line items in the statements of financial position which include amounts for financing and operating leases as of July 1, 2022:

Operating lease right-of-use assets	<u>\$ 10,664,403</u>
Operating lease liabilities	<u>\$ 10,915,591</u>

The component of operating lease expense that is included in occupancy expense in the statements of functional expenses are follows:

	June 30,	
	2023	2022
Operating lease costs	\$ 1,749,663	\$ 1,696,756
Variable lease costs	<u>47,570</u>	<u>69,013</u>
	<u>\$ 1,797,233</u>	<u>\$ 1,765,769</u>

The following summarizes the cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 1,628,514
Noncash investing and financing activity:	
Right-of-use assets obtained in exchange for operating lease liabilities in adopting ASC 842	\$ 4,853,627
Deferred rent reclassified to right-of-use asset in adopting ASC 842	\$ 482,165
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 7,660,937

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3 – Lease Arrangements (Continued)

The weighted-average remaining lease term and discount rate as of June 30, 2023 were as follows:

Weighted-average remaining lease term - operating leases	7.09 years
Weighted-average discount rate—operating leases	3.36%

The maturities of financing and operating lease liabilities as of June 30, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2024	\$ 1,836,013
2025	2,060,654
2026	2,009,716
2027	891,089
2028	917,822
Thereafter	<u>4,837,281</u>
Total minimum lease payments	12,552,575
Less amount representing interest	<u>(1,636,984)</u>
Present value of minimum lease payments	<u>\$ 10,915,591</u>

NOTE 4 – Pension Plan (Unaudited)

The Center has a defined benefit pension plan covering all employees through the California Public Employees’ Retirement System (“CalPERS”). All employees are, immediately upon hire, enrolled in the pension plan. Participants with at least five years of service credits are fully vested.

The Center obtained accounting valuation reports from CalPERS for the years ended June 30, 2023 and 2022. These reports rely on liabilities and related validation work performed by the CalPERS’ actuarial office as part of the June 30, 2023 and 2022 funding valuation for the Plan. The June 30, 2022 and 2021 liabilities, which were rolled forward to June 30, 2023 and 2022, respectively, and used for this accounting valuation, are based on actuarial assumptions adopted by the CalPERS Board of Administration which are consistent with methods and actuarial assumptions promulgated by the Government Accounting Standards Board (“GASB”).

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 – Pension Plan (Unaudited) (Continued)

As a nonprofit organization, the Center is required to follow the accounting framework based on standards promulgated by the Financial Accounting Standards Board (“FASB”), and Accounting Standards Update 715 (ASU 715) – *Compensation: Retirement Benefits – Defined Benefit Pension Plans*. FASB and the ASU requires different methods and actuarial assumptions than GASB when preparing the valuation reports.

The Center has opted to utilize the valuation reports from CalPERS to record the unfunded defined benefit pension liability on the statements of financial position and recognize the changes in the funded status on the statements of activities based on these valuation reports, which is not in conformity with U.S. GAAP. The auditors’ opinion on the financial statements has been modified due to this departure from U.S. GAAP.

The following summarizes the GASB valuation reports from CalPERS:

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-2016 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets.

The Public Employees’ Retirement Law (Part 3 of the California Government Code, §20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

The unfunded liability was as follows:

	June 30,	
	2023	2022
Benefit obligation	\$ 73,597,393	\$ 69,433,976
Market value of assets	<u>(54,985,456)</u>	<u>(51,212,215)</u>
Unfunded Liability	<u>\$ 18,611,937</u>	<u>\$ 18,221,761</u>

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 – Pension Plan (Unaudited) (Continued)

The changes in benefit obligation were as follows:

	For the Year Ended	
	June 30,	
	<u>2023</u>	<u>2022</u>
Benefit Obligation – Beginning of year	\$ 69,433,976	\$ 64,541,730
Service cost	2,647,760	2,243,676
Interest cost	4,774,674	4,513,302
Change in benefit term	91,404	-
Change in assumptions	-	2,114,868
Experience gain (loss)	48,250	(756,913)
Benefit payments to retirees	<u>(3,398,671)</u>	<u>(3,222,687)</u>
 Benefit Obligation – Ending of year	 <u>\$ 73,597,393</u>	 <u>\$ 69,433,976</u>

A reconciliation of the market value of assets over the prior years was as follows:

	June 30,	
	<u>2023</u>	<u>2022</u>
Fair Value of Plan Assets - Beginning of year	\$ 51,212,215	\$ 55,249,900
Contributions:		
Employer	2,738,579	2,317,614
Employee	1,293,550	1,091,492
Investment return (loss)	3,177,442	(4,189,687)
Benefit payments to retirees	(3,398,671)	(3,222,687)
Administrative expenses	<u>(37,659)</u>	<u>(34,417)</u>
 Fair Value of Plan Assets - Ending of year	 <u>\$ 54,985,456</u>	 <u>\$ 51,212,215</u>

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 – Pension Plan (Unaudited) (Continued)

Net change in pension benefit unfunded liability consists of the following components:

	For the Year Ended June 30,	
	2023	2022
Service cost	\$ 2,647,760	\$ 2,243,676
Interest cost	4,774,674	4,513,302
Expected return on plan assets	(3,552,191)	(3,815,185)
Changes of assumptions	6,815,542	(1,096,998)
Recognized net actuarial gain	(4,032,129)	(3,409,106)
Differences between expected and actual experience	(6,263,480)	10,494,242
 Net Change in Pension Benefit Unfunded Liability	 \$ 390,176	 \$ 8,929,931

The significant actuarial assumptions are as follows:

	June 30,	
	2023	2022
Long-term discount rate	6.90%	6.90%
Payroll growth	2.75%	2.75%
Expected long-term rate of return	7.00%	7.00%

The starting point and most important element of CalPERS’ return on investment is the asset allocation or diversification among stocks, bonds, cash, and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk, which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class. The asset allocation of assets shown above reflects the values of the Public Employees Retirement Fund (the “PERF”) in its entirety as of June 30, 2023 and 2022. The assets for the Center are part of the PERF and are invested accordingly.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 – Pension Plan (Unaudited) (Continued)

Sensitivity of the Unfunded Liability to Changes in the Discount Rate

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Increase of 1% (7.90%)	\$ 10,142,126	\$ 10,244,027
Current discount rate (6.90%)	\$ 18,611,937	\$ 18,221,761
Decrease of 1% (5.90%)	\$ 28,962,456	\$ 27,696,688

For the years ended June 30, 2023 and 2022, the computed employer contribution rate was 15.91% and 15.99%, respectively. The employer and employee contribution paid to CalPERS during the years ended June 30, 2023 and 2022 was \$4,032,129 and \$3,409,106, respectively.

NOTE 5 – Line of Credit

The Center has a revolving line of credit with a bank, expiring May 31, 2024, for a maximum borrowing amount of \$30,000,000. The line of credit is unsecured and bears interest at the bank's reference rate (6.80% at June 30, 2023). As of June 30, 2023 and 2022, there was no outstanding balance on the line of credit.

NOTE 6 – Commitments and Contingencies

Contingencies

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

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 – Commitments and Contingencies (Continued)

Contingencies (Continued)

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 Center may be liable to the State for reimbursement of such costs. In the opinion of the Center’s management, the effect of any disallowed costs would be immaterial to the financial statements at June 30, 2023 and 2022.

Legal Proceedings

The Center is subject to various legal proceedings and claims arising in the ordinary course of its operations. The Center’s management believes that the ultimate resolution of these matters will not have a material adverse effect on the Center’s financial position or activities.

Unemployment Insurance

The Center makes contributions to a Joint Unemployment Compensation Trust (the Trust), which provides funding to reimburse the State for unemployment benefits it pays to former employees who have terminated their employment. The Trust also carries stop-loss insurance, with accumulated reserve in the amount of \$218,675 and \$229,384 at June 30, 2023 and 2022, respectively, to cover possible exposure of unusual employment claims.

Labor Force

The Center retains approximately 84 percent of its labor force through Social Services Union, Local 1021 (the “Union”). This labor force is subject to collective bargaining agreements and, as such, renegotiations of such agreements could expose the Center to an increase in hourly costs or work stoppages. The current bargaining agreement started on November 1, 2022 and expires December 31, 2025. Throughout negotiations of this new agreement, the Center made two lump sum payments to compensate union employees as of October 31, 2022 and June 30, 2023 in the amounts of 5% of base salary for July 2022 through October 2022 and 3% of base salary, respectively.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 – Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year of the statements of financial position for general expenditure, such as operating expenses, were as follows:

	June 30,	
	2023	2022
Financial Assets:		
Cash and cash equivalents	\$ 44,523,286	\$ 32,385,948
Receivable from Intermediate Care Facility vendors	2,218,845	2,049,217
Total financial assets available within one year	\$ 46,742,131	\$ 34,435,165

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

In addition, the Center maintains a line of credit (see Note 5) to manage cash flow requirements as needed should there be delays in reimbursement for expenditures from DDS.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Identification Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education Passed through State of California Department of Developmental Services			
Special Education – Grants for Infants and Families	84.181	H181A210037	\$ 1,149,900
Corporation for National and Community Service Passed through State of California Department of Developmental Services			
Senior Companion Program	94.016	19SCPCA002	<u>288,354</u>
Total federal expenditures			<u>\$ 1,438,254</u>

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of North Bay Developmental Disabilities Services, Inc. under programs of the federal government for the year ended June 30, 2023. The information in the 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 North Bay Developmental Disabilities Services, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of North Bay Developmental Disabilities Services, 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

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

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

To the Board of Directors of
North Bay Developmental Disabilities Services, 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 North Bay Developmental Disabilities Services, Inc., a nonprofit organization, (the Center) which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2024, which we expressed a qualified opinion.

Basis for Qualified Opinion

The Center is using an actuarial valuation provided by CalPERS to estimate North Bay Developmental Disabilities Services, Inc.'s unfunded pension obligation and the related pension expense in the Center's financial statements, which does not conform to accounting principles generally accepted in the United States. CalPERS calculates the members' funded or unfunded status using methods and actuarial assumptions promulgated by Government Accounting Standard Board (GASB) in GASB Statement No. 68 Accounting and Financial Reporting for Pensions. As a nonprofit organization, North Bay Developmental Disabilities Services, Inc. is required to use the accounting framework based on standards promulgated by the Financial Accounting Standard Board ("FASB"), and Accounting Standards Update 715 (ASU 715) – Compensation: Retirement Benefits – Defined Benefit Pension Plans, which requires different methods and actuarial assumptions than GASB. Accordingly, we were unable to obtain sufficient appropriate audit evidence about North Bay Developmental Disabilities Services, Inc.'s amounts reported on the financial statements as receivable from state for pension plan liability, pension plan liability, contracts – state of California portion related to pension liability, and changes other than net periodic pension benefit costs by other auditing procedures. The effects on the accompanying financial statements of the failure to record the pension plan liability and related accounts in accordance with FASB have not been determined.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Bay Developmental Disabilities Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Bay Developmental Disabilities Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of North Bay Developmental Disabilities Services, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Bay Developmental Disabilities Services, 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 Center'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 North Bay Developmental Disabilities Services, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Long Beach, California
March 6, 2024

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

To the Board of Directors of
North Bay Developmental Disabilities Services, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North Bay Developmental Disabilities Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of North Bay Developmental Disabilities Services, Inc.'s major federal programs for the year ended June 30, 2023. North Bay Developmental Disabilities Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, North Bay Developmental Disabilities Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North Bay Developmental Disabilities Services, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding North Bay Developmental Disabilities Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of North Bay Developmental Disabilities Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North Bay Developmental Disabilities Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
March 6, 2024

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

The auditors’ report expresses a qualified opinion on whether the financial statements of North Bay Developmental Disabilities Services, Inc. were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting:

Material weakness(es) identified? – No

Significant deficiencies identified? – None reported

Noncompliance material to financial statements noted? – No

Federal awards

Internal control over major programs

Material weakness(es) identified? – No

Significant deficiencies identified? – None reported

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

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

Identification of major program:

Special Education – Grants for Infants and Families, Federal Assistance Listing #84.181A

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

Auditee qualified as low-risk auditee? – No

SECTION II – FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None