

Annual Comprehensive Financial Report  
For the Year Ended June 30, 2021

**Los Angeles County Children and  
Families First – Proposition 10  
Commission**

(a Component Unit of the County of Los Angeles, California)

# Los Angeles County Children and Families First – Proposition 10 Commission

## Table of Contents

For the Year Ended June 30, 2021

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### Introduction Section

Letter of Transmittal .....	i
Board of Commissioners .....	vi
Organizational Chart .....	vii
GFOA Certificate of Achievement .....	viii

Independent Auditor's Report .....	1
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Management's Discussion and Analysis .....	4
--	---

### Financial Statements

Statement of Net Position and Governmental Fund Balance Sheet .....	15
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance .....	16
Notes to Financial Statements .....	17

### Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund .....	31
Note to the Required Supplementary Information .....	33

### Other Supplementary Information

Schedule of First 5 California Funding .....	34
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### Statistical Section (Unaudited)

#### Financial Trends

Net Position by Component .....	36
Changes Net Position .....	37
Fund Balances – General Fund .....	38
Changes in Fund Balances – General Fund .....	39

#### Revenue Capacity

First 5 California County Tax Revenue Projections for FY 2020-2021 – FY2024-2025 .....	40
Cigarette Taxes and Other Tobacco Products Surtax Revenue 1959-60 to 2018-19 .....	41

#### Demographic Information

Demographic Data and Economic Statistic .....	43
Unemployment Rate .....	44
Ten Largest Industries .....	45

#### Operating Information

Capital Assets Statistics .....	46
Authorized Positions by Function .....	47

### Compliance Section

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	48
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Independent Auditor's Report on State Compliance .....	50
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October 14, 2021

Board of Commissioners  
First 5 LA  
750 North Alameda Street, Suite 300  
Los Angeles, CA 90012

Dear Commissioners:

The Annual Comprehensive Financial Report of the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) for the year ending June 30, 2021, is hereby submitted, as mandated by applicable statutes. These statutes require First 5 LA to annually issue a report of its financial position and activity.

A complete audit of the report by an independent firm of certified public accountants is also required. Responsibility for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Commission's management team. The information in this report is intended to present the reader with a comprehensive view of the Commission's financial position and the results of its operations for the fiscal year, along with additional disclosures and financial information designed to provide an understanding of First 5 LA's financial activities.

Eide Bailly LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on First 5 LA's financial statements for the year ending June 30, 2021. The independent auditors' report is located at the beginning of the financial section of this report. Management also provides a narrative introduction, overview and analysis of the basic financial statements in the form of the Management's Discussion and Analysis (MD&A).

## PROFILE OF THE COMMISSION

First 5 LA was created by the Los Angeles County Board of Supervisors in December 1998 following the passage of Proposition 10, through which California voters made an unprecedented investment in early childhood development.

Over the last 20+ years, First 5 LA has made a lasting positive impact in Los Angeles County through its allocation of over \$2.5 billion to support diverse partnerships, innovative programs, leading policy and systems change efforts and operations that improve the well-being of young children and families.

## A POLICY AND SYSTEMS CHANGE APPROACH

In Fiscal Year 2020-2021, First 5 LA embarked on its first year of implementation of the 2020-2028 Strategic Plan which reflects a shift in approach from mainly funding programs toward a focus on systems change – changing policy, practice and public will to strengthen families and improve child outcomes. This strategic approach is based on First 5 LA's desire to direct its resources to have the greatest impact on families and children prenatal to age five in Los Angeles County. Consistent with

### COMMISSIONERS

Los Angeles County Supervisor	Bobby Cagle	Jonathan E. Sherin,
Sheila Kuehl	Barbara Ferrer, Ph.D.,	M.D., Ph.D.
<i>Chair</i>	M.P.H., M.Ed.	Romalis J. Taylor
Judy Abdo	Astrid Heger, M.D.	Marlene Zepeda, Ph.D.
<i>Vice Chair</i>	Yvette Martinez	

### EX OFFICIO MEMBERS

Jacquelyn McCroskey, DSW
Karla Pleitéz Howell
Deanne Tilton
Keesha Woods

### EXECUTIVE DIRECTOR

Kim Belshé

### EXECUTIVE VICE PRESIDENT

John A. Wagner

### A PUBLIC ENTITY

the Commission-approved strategic direction, First 5 LA will continue to place greater emphasis on efforts to contribute to sustainable public financing, public policy and systems-level change, and less emphasis on funding direct services.

To ensure all children in L.A. County enter kindergarten ready to succeed in school and life, the 2020-2028 Strategic Plan directed that the Commission's work focus on the following four strategic priorities and objectives, as defined below:

Strengthen Public and Community Systems: Improve, integrate and expand systems of early prevention, intervention and learning to become family-centered, child-focused and promote equitable outcomes.

Advance and Build on Community Experience: Connect, maximize and coordinate public resources, relationships and local assets, and relationships within our 14 Best Start geographies.

Expand Influence and Impact with Data: Expand the availability, use and power of data and parent voice to call attention to disparities, amplify advocacy, and drive policy change, practice change, and will building.

Optimize Our Effectiveness: Heighten organizational performance to enhance our impact.

The Commission continues to conduct all decision-making processes in accordance with the governance guidelines, approved in March 2014, with the intention of advancing important First 5 LA goals, including:

- Transparency and consistency in First 5 LA's decision-making;
- Coordination, coherence and integration of First 5 LA investments; and
- Accountability, acknowledging First 5 LA's declining revenues.

These guidelines continue to ensure that decisions made by the Commission are guided by the principles of financial responsibility, accountability, and adherence to the Commission's 2020-2028 Strategic Plan, which continues to build off work and learnings from the 2015-2020 strategic approach and direction.

## ORGANIZATIONAL HIGHLIGHTS

- ***Developing our diversity, equity and inclusion journey.*** First 5 LA's refined Strategic Plan provides a solid roadmap to guide our work as a systems-change leader, grounded in our values and investment guidelines, including diversity, equity and inclusion (DEI). Consistent with Board direction, we're challenging ourselves in our Strategic Plan Implementation to recognize racial disparities and inequities in the systems we seek to change, better identify causes that contribute to inequities, and work to change the underlying policies and practices that continue to hold these inequities in place.

In FY 2020-2021, First 5 LA has continued to build on our refined resources that were included to support changes in policy, practice and public norms and attitudes that reflect important learning about where and how First 5 LA can contribute to addressing the systemic barriers that impede equity and opportunity for Black children and families and communities of color. First 5 LA contracted with SEED Collaborative in 2020 to begin our DEI journey internally so that we may collectively grow as an organization and ensure we are living our DEI values in the workplace. We recognize what we refer to as our equity journey has just begun and are dedicated to both the work and the resources required to achieve substantive and transformational foundations on which to build. Our first steps of robust data collection, staff

surveys, staff interviews and other valuable exchanges of information have already yielded considerable value. We recognize that the road ahead to live into our DEI value and investment guideline will take time and effort; and we understand this work is critical to how First 5 LA undertakes its work and to the safe, equitable and just future we envision for our County's youngest children.

- Mobilizing advocacy across our work, diverse partners, and the Association of First 5s.*** First 5 LA plays an increasingly important and visible role as a connector, convener and partner in local, county and state advocacy to prioritize young children and their families in policy and practice. The approved budget includes resources for continued support of the Early Care and Education Policy and Advocacy Fund and the Built Environment Policy and Advocacy Fund as well as support to initiate a new Early Childhood Development Policy and Advocacy Fund, focused on engaging and building the capacity of early childhood health and family strengthening advocates to shape and help advance a whole child, whole family framework in state and local policies. In addition, budget support for the Association of First 5s supports the development and execution of a coordinated, proactive statewide policy and legislative agenda informed by the network of First 5s.
- Continued remote work in second year of pandemic.*** First 5 LA is deeply committed to supporting the needs of staff, partners and children and communities in this moment of time and going forward. Our response to COVID-19 is anchored in three primary objectives: 1) Protecting and supporting the health of our staff; 2) Supporting our contracted partners (grantees, vendors, contractors); and 3) Supporting LA County's young children and their families, with a focus on those most vulnerable during this pandemic. Throughout FY 2020-2021, First 5 LA continued mandatory telework and the First 5 LA building remains restricted to essential workers only until further notice.
- First 5 LA reorganization and restructure.*** As noted, First 5 LA's Strategic Plan for 2020-2028 places less emphasis on direct services and more emphasis on partnership, policy and systems. To align structure and staffing to strategy, a new organizational structure was established in November 2020, which is intended to promote efficiencies, foster integration, and recognize our evolving fiscal environment. The FY 2021-2022 budget reflects this restructure which reduced the overall number of full-time equivalent positions authorized in the current year budget to 120. The new adapted structure is built on Centers, Teams and Offices, along with the critical budget year priorities for each function that are foundational to our longer-term systems-change goals. For the critical work ahead across the organization, the deployment of First 5 LA's human assets in furtherance will be more deliberate and intentional using as guidance our goals, and points of integration across functional responsibilities.

## LOOKING AHEAD

- Continued refinement and implementation of our 2020-2028 Strategic Plan.*** The FY 2021-2022 budget represents resources that will support year two implementation of the 2020-2028 Strategic Plan. Completion of year one and the formation of the budget for year two represents the culmination of internal collaboration across teams, alignment of program costs to our strategic direction and fiscal realities of declining tobacco tax revenues, and the continued evolution of First 5 LA as it fulfills its multiple roles as advocate, convener, funder, catalyst, communicator, and partner. The reduced level of spending, compared to the prior year, reflects the progress undertaken to apply the drivers of strategic plan implementation – focus and prioritization, alignment and integration, and diversity, equity and inclusion – to our work. This has led to greater clarity around how to deploy and maximize First 5 LA's human and fiscal resources strategically and in alignment with the evolution of First 5 LA, our fiscal reality, and the results we seek for children and families in Los Angeles County.

- Work begins on improving our capital asset, 750 N Alameda Street.*** As the owner and operator of its building, into which First 5 LA moved in 2005, we are proceeding with work and capital expenditures on our facility to maintain this critical asset. Following the Board's direction in establishing a Capital Improvement Fund (CIF) as part of the FY 2017-2018 Budget process as well as the Board-approved Capital Improvement Plan (CIP), we have made several steps to move this work forward in a way to provide needed upgrades to the building as well as to enhance the way in which we work. In FY 2020-2021, First 5 LA selected a general contractor, Dewberry Design-Builders, Inc., and work began on CIP first steps to prepare the interior building space. Upcoming plans include exterior and interior renovations of three floors of the existing office building, with specific attention to rooftop replacement, HVAC, solar panel installation and site security improvements. The timeline for this project extends into 2022 but will yield considerable value for the physical space as well as the occupants when the First 5 LA team returns to work within the building, maximizing the health and safety of our employees and the public.

## OTHER FINANCIAL INFORMATION

### Internal Controls

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. The internal control structure is designed to protect the Commission's assets from loss, theft or misuse and to ensure that adequate accounting data is compiled for the preparation of the financial statements in conformity with Generally Accepted Accounting Principles. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

### Budgetary and Accounting System

The Commission is not required to adopt a budget for the following year before the end of each fiscal year. However, the Commission has historically adopted a budget to ensure controlled spending. Any increase to previously adopted appropriations during the fiscal year requires Commission approval. The Executive Director has the authority to adjust the operating budget in an amount not to exceed \$75,000, and any adjustments to the adopted fiscal year budget for programs must be approved by the Commission. Monthly financial updates are also provided to the Board of Commissioners. The Commission has not adopted or revised any financial policies that may have a significant impact on the current period's financial statements.

### Long Term Financial Plan

First 5 LA has annually prepared a long-term financial projection which forecasts future revenues and fund balance, assuming spending trends continue as forecasted and approved. The projection allowed us to test what the future would look like, and it helped the Commission establish financial guardrails to inform future budgeting and spending. Given First 5 LA's declining revenues, fund balance and increased priority on addressing sustainability, First 5 LA staff, with input provided by the June 11, 2020, meeting of the Board of Commissioners, has transitioned to implement a higher degree of fiscal discipline through the adoption of a long-term financial plan in place of the long-term financial projection. While both processes provide important planning and context for the Board on future spending, the Long-Term Financial Plan will change how the organization plans, adjusting to the organization's fiscal reality and 2020-2028 Strategic Plan goals and establishing spending limits for outer years which will help us to better manage our ever-decreasing fund balance. The future spending limits, grounded in an 85%-15% maximum split of total expenditures between programmatic and administrative costs, respectively, will require changing current norms but also promote shared resources and decision making across the organization to leverage and maximize

resources and partnerships. Deviations from the established annual limits will require Board review and approval.

### **CERTIFICATE OF ACHIEVEMENT**


Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to First 5 LA for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the thirteenth consecutive year that First 5 LA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, First 5 LA must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **ACKNOWLEDGEMENTS**

The Commission's Annual Comprehensive Financial Report was prepared through the combined efforts of all First 5 LA staff. Special recognition is due to the Finance Department staff for their effort to ensure timely and accurate reporting. I would also like to thank the Board of Commissioners for your responsible and thoughtful fiscal stewardship of First 5 LA's financial operations.

Sincerely,

DocuSigned by:  
  
E26279F5ED4240B...

Kim Belshé  
Executive Director

KB:ro

## **FIRST 5 LA**

### **Commissioners**

Sheila James Kuehl, Los Angeles County Supervisor, Chair  
Judy Abdo, Vice Chair  
Bobby D. Cagle, MSW  
Barbara Ferrer, Ph.D., M.P.H., M.Ed.  
Astrid Heger, M.D.  
Yvette Martinez  
Jonathan E. Sherin, M.D., Ph.D.  
Romalis J. Taylor  
Marlene Zepeda, Ph.D.

### **Ex-Officio Commissioners**

Karla Pleitéz Howell, J.D.  
Jacquelyn McCroskey  
Deanne Tilton Durfee  
Keesha Woods

### **Alternate Commissioners**

Linda Aragon  
Victor Manalo, Ph.D.  
Terry Ogawa  
Maricela Ramirez  
Frank Ramos  
Vivian Rescalvo  
Carol Sigala  
Sylvia S. Swilley, M.D.  
Christopher Thompson, M.D.

### **Executive Director**

Kim Belshé

### **Executive Vice President**

John A. Wagner

### **Chief of Staff**

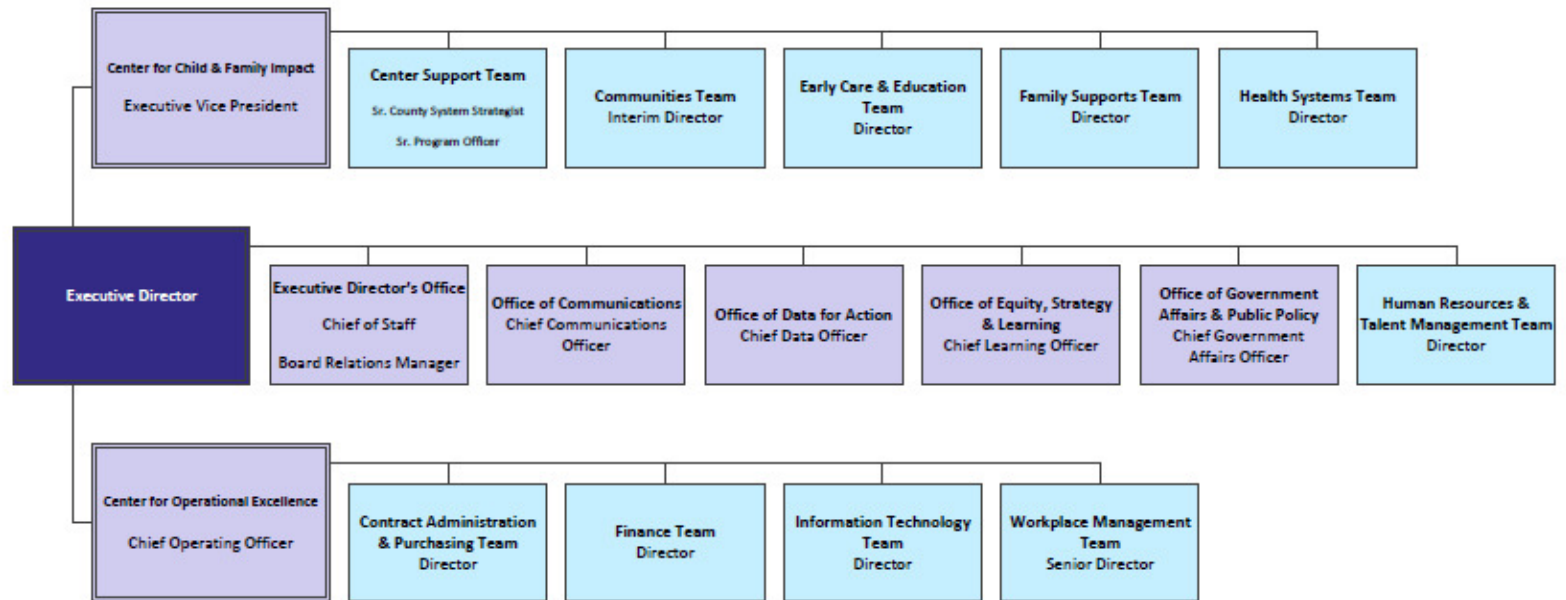
Peter Barth

### **Team/Center/Office Chiefs/Directors**

Antoinette Andrews-Bush, Office of Equity, Strategy and Learning  
Diana Careaga, Family Supports  
Galina Collins, Human Resources & Talent Management  
Jennifer L. Eckhart, Contract Administration & Purchasing  
Tara Ficek, Health Systems  
Jasmine Frost, Information Technology/Interim COO  
Kim Hall, Office of Data for Action  
Raoul Ortega, Finance  
Becca Patton, Early Care and Education  
Lee Werbel, Communities  
Charna Widby, Office of Government Affairs and Public Policy

# Organization Structure

First 5 LA





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**First 5 LA  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morrell*

Executive Director/CEO



## Independent Auditor's Report

Board of Commissioners  
Los Angeles County Children and Families  
First – Proposition 10 Commission  
Los Angeles, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### 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.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, schedule of First 5 California Funding, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of First 5 California Funding is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 First 5 California Funding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021, on our consideration of the Commission'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 the Commission'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 the Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
October 14, 2021

**Los Angeles County Children and Families First – Proposition 10 Commission**  
**Management’s Discussion and Analysis**  
**(Unaudited)**

This section of the Los Angeles County Children and Families First – Proposition 10 Commission (the “Commission”) annual comprehensive financial report presents management’s discussion and analysis of the Commission’s financial performance during the year ending June 30, 2021. This discussion and analysis is intended to be read in conjunction with the Commission’s basic financial statements and accompanying notes.

**Financial Highlights**

- The Commission recognized a total of \$81.9 million in program revenues which include tobacco taxes, Proposition 56 backfill, IMPACT funds, Dual Language Learner Grant, Home Visiting Coordination Grant and pass-through funds for Medi-Cal Administrative Activities. Revenues from First 5 California (the State) totaled \$81.3 million, reflecting a 2.9% increase of \$2.3 million from \$79 million in FY 2019-20.
- Commission expenses totaled \$104.3 million in FY 2020-21, representing an 8.8% decrease of \$10.1 million from \$114.4 million in FY 2019-20.
- The Commission’s liabilities increased from \$22.6 million in FY 2019-20 to \$22.9 million in FY 2020-21, reflecting a total increase of approximately \$258,000, or 1.1%.
- The Commission’s total net position decreased from \$349.3 million in FY 2019-20 to \$326.1 million in FY 2020-21, a decline of approximately \$23.2 million, or 6.6%.

**Overview of the Financial Statements**

The annual comprehensive financial report consists of two parts, this management’s discussion and analysis and the basic financial statements, including: government-wide financial statements, fund financial statements, and notes to the basic financial statements. The Commission’s financial statements offer key, high-level financial information about its activities.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Commission’s finances, in a manner similar to a private-sector business. These statements provide both long-term and short-term information about the Commission’s overall financial status.

The Statement of Net Position includes information on all the Commission’s assets and liabilities, with the difference between assets and liabilities reported as net position. Changes in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to when the change occurs, regardless of the timing of related cash flows.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All the Commission's activities are accounted for in the general fund.

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the year.

While a nine-member Board of Commissioners governs the Commission, the Commission was created by, and ultimately is, under the authority of the Los Angeles County Board of Supervisors, in accordance with California State Law, through its appointment of the Board of Commissioners and its ability to remove the Commissioners at will. Consequently, the County of Los Angeles Auditor-Controller's Office has designated the Commission as a "discretely presented component unit" of the County of Los Angeles and includes a summary of the Commission's basic financial statements in the County's basic financial statements.

## Government-wide Financial Statements Analysis

The following is a summary of the Commission's assets; liabilities and net position comparing FY 2020-21 with FY 2019-20:

	<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>Percent Increase (Decrease)</b>	<b>Increase (Decrease)</b>
<b>Assets:</b>				
Current and other assets	\$338,580,128	\$361,258,011	-6.28%	(\$22,677,883)
Capital assets	10,394,423	10,628,033	-2.20%	(233,610)
Total assets	\$348,974,551	\$371,886,044	-6.16%	(\$22,911,493)
<b>Liabilities:</b>				
Long-term liabilities	\$806,802	\$668,916	20.61%	\$137,886
Other liabilities	22,078,610	21,958,179	0.55%	120,431
Total liabilities	\$22,885,412	\$22,627,095	1.14%	\$258,317
<b>Net Position:</b>				
Unrestricted	\$315,694,716	\$338,630,916	-6.77%	(\$22,936,200)
Net investment in capital assets	10,394,423	10,628,033	-2.20%	(233,610)
Total net position	\$326,089,139	\$349,258,949	-6.63%	(\$23,169,810)
Total liabilities and net position	\$348,974,551	\$371,886,044	-6.16%	(\$22,911,493)

The Commission's total assets of \$349 million represent a decrease of \$22.9 million, or a 6.16% decline, compared with the prior year. Of this total, the decrease in current and other assets is approximately \$22.7 million. The key factor contributing to this reduction in total assets is that total expenses, including program expenses (such as provider grants and contractors), were higher than the total revenue by \$23.2 million.

The \$233,610 decrease in capital assets resulted from continued depreciation of the Commission's capital assets. The depreciation expense for FY 2020-21 was \$309,554. Additional information on capital assets can be found in Note 3 of this report.

The following is a summary of the Commission's revenues; expenses and change in net position comparing FY 2020-21 with FY 2019-20:

	<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>Percent Increase (Decrease)</b>	<b>Increase (Decrease)</b>
<b>Revenues:</b>				
<b>Program revenues</b>				
Tobacco taxes	\$60,590,413	\$60,022,841	0.95%	\$567,572
Prop 56	18,215,617	18,068,329	0.82%	147,288
State Commission program funds	2,469,410	922,472	167.69%	1,546,938
Medi-Cal Administrative Activities	80,319	133,955	-40.04%	(53,636)
California Department of Education	32,830	328,658	-90.01%	(295,828)
Other program revenue	522,406	584,118	-10.56%	(61,712)
Total program revenues	<u>\$81,910,995</u>	<u>\$80,060,373</u>	<u>2.31%</u>	<u>\$1,850,622</u>
<b>General revenues</b>				
Investment income	\$1,987,840	\$6,938,051	-71.35%	(\$4,950,211)
Net Increase (decrease) in fair value of Investments	(2,861,364)	1,354,275	-311.28%	(\$4,215,639)
Other general income	121,894	110,899	9.91%	\$10,995
Total general revenues	<u>(751,630)</u>	<u>8,403,225</u>	<u>-108.94%</u>	<u>(9,154,855)</u>
Total revenues	<u>\$81,159,365</u>	<u>\$88,463,598</u>	<u>-8.26%</u>	<u>(\$7,304,233)</u>
<b>Expenses:</b>				
Provider grants and other allocations	\$84,700,927	\$93,379,930	-9.29%	(\$8,679,003)
Pass-through grants	0	65,042	-100.00%	(65,042)
Salaries and benefits	16,838,090	17,393,319	-3.19%	(555,229)
Operating services	1,087,787	1,212,116	-10.26%	(124,329)
Consultant services	905,278	1,308,527	-30.82%	(403,249)
Professional services	426,218	323,816	31.62%	102,402
Professional development	61,235	176,217	-65.25%	(114,982)
Other expenses	86	224,934	-99.96%	(224,848)
Depreciation	309,554	300,441	3.03%	9,113
Total expenses	<u>\$104,329,175</u>	<u>\$114,384,342</u>	<u>-8.79%</u>	<u>(\$10,055,167)</u>
<b>Change in net position:</b>	<b>(23,169,810)</b>	<b>(25,920,744)</b>	<b>-10.61%</b>	<b>2,750,934</b>
Net position – beginning	<u>349,258,949</u>	<u>375,179,693</u>	<u>-6.91%</u>	<u>(25,920,744)</u>
Net position – ending	<u>\$326,089,139</u>	<u>\$349,258,949</u>	<u>-6.63%</u>	<u>(\$23,169,810)</u>

## **Revenues**

The Commission received a total of roughly \$81.2 million in revenues for FY 2020-21, reflecting a decrease of \$7.3 million, or 8.3% compared with the prior year's total revenues of \$88.5 million. The overall changes in revenue are due to the following:

### **Tobacco Tax**

Tobacco tax revenue increased from \$60.0 million in FY 2019-20 to \$60.6 million in FY 2020-21, an increase of \$567,572, or 1.0%. Revenue was relatively flat due to a steady year over year sale of tobacco products.

### **Proposition 56**

Proposition 56 backfill (or "hold harmless") amounts are calculated in arrears, which considered in FY 2016-17 actual revenue loss was attributable to Proposition 56. The backfill amount increases revenue in FY 2020-21 by \$18.2 million compared to \$18.1 million in the prior fiscal year. The backfill is received the following fiscal year and the actual amount represented here is for FY 2019-20.

### **State Commission Program Funds**

State Commission program funds increased from \$0.9 million in FY 2019-20 to \$2.5 million in FY 2020-21, an increase of \$1.6 million. This increase was primarily due to higher IMPACT and Hubs funds received from First 5 CA.

### **Medi-Cal Administrative Activities**

The Medi-Cal Administrative Activities (MAA) program decreased from \$133,955 in FY 2019-20 to \$80,319 in FY 2020-21. The program, contracted through the County of Los Angeles, assists in the administration of the Medi-Cal program by improving the availability and accessibility of Medi-Cal services to eligible participants. This decrease is a result of delays in County reimbursements from prior periods. It is important to note that MAA reimbursements are based on activities that are reimbursed from 18 months prior to billing.

### **California Department of Education**

The California Department of Education fund decreased from \$328,658 in FY 2019-20 to \$32,830 in FY 2020-21, a decrease of \$295,828, or 90.0%.

### **Other Program Revenue**

Other Program revenue decreased slightly from \$584,118 in FY 2019-20 to \$522,406 in FY 2020-21. This revenue includes grants from Department of Health for the African-American Infant and Maternal Mortality (AAIMM) Initiative, Los Angeles County of Education and Aurrera Health Group for ACEs Aware program.

### **Investment Income**

The Commission earned \$1.99 million of investment income in FY 2020-21, which was a decrease of \$4.95 million, or approximately 71.4%, compared with the \$6.9 million earned in the prior year. This decrease is due to the overall rate of return which decreased 1.15% from the prior year with an average earning of 0.57% and a lower average balance in our invested funds.

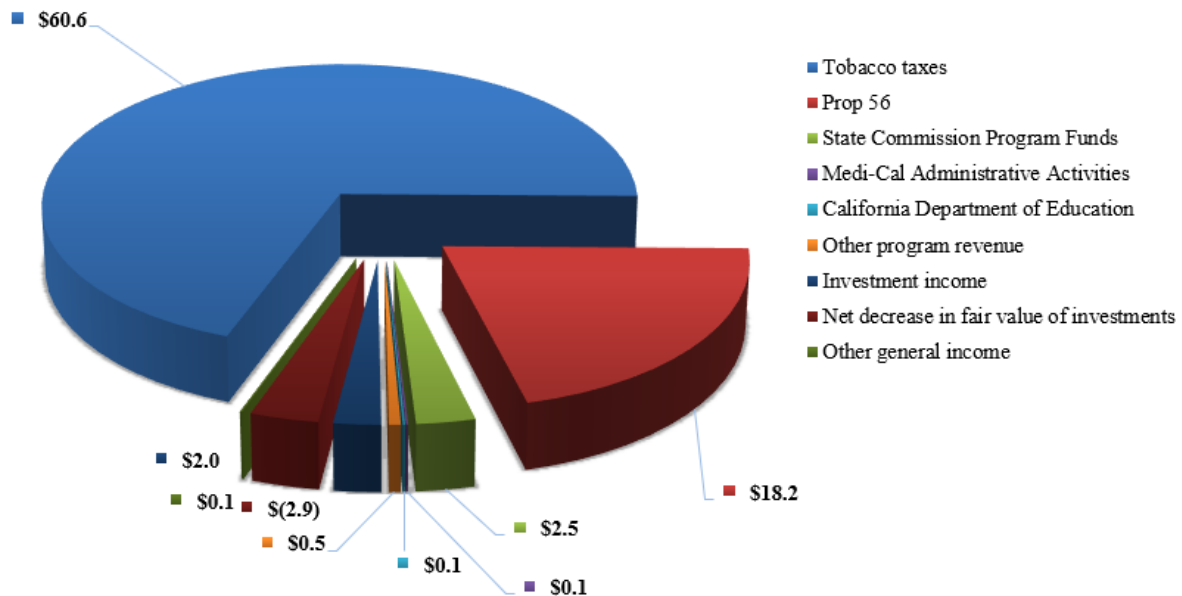
### **Fair Value Adjustment**

First 5 LA separates the fair value adjustment under investment income from the Statement of Activities to more accurately reflect true interest earned. In FY 2020-21, the fair value of First 5 LA investment portfolio adjustment was down \$2.86 million, compared to \$1.35 million unrealized gain in FY 2019-20. This decrease can be attributed to ongoing external economic factors related to low interest rates and overall economic health at this point-in-time.

### Other General Income

The Commission generated \$121,894 in other revenue for the FY 2020-21, from sources including one month rental income from the Academy of Motion Pictures Arts and Sciences and the close-out fees from the Learning Care Center.

### **Revenues June 30, 2021 (In Millions)**



### Expenses

The Commission recognized expenses of \$104.3 million in FY 2020-21 compared with \$114.4 million in FY 2019-20, a decrease of \$10.1 million, or 8.8%. The \$10.1 million net decrease in overall expenditures encompasses the following from FY 2020-21:

#### Provider Grants and Other Allocations

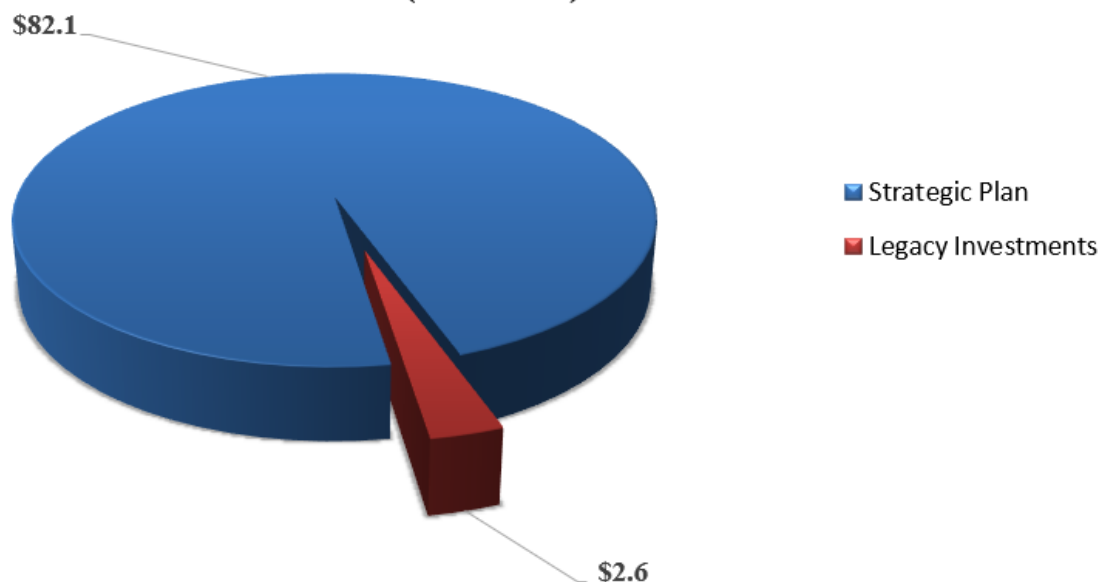
The Commission experienced a decrease of \$8.7 million, or 9.3%, expending approximately \$84.7 million in FY 2020-21 compared to \$93.4 million in FY 2019-20 for “Provider grants and other allocations”. The net decrease is largely the result of the ongoing COVID-19 pandemic, which impacted how services were rendered, the type of services rendered, and the timelines for the proposed activities as well as sunsetted or scaled-back projects. The following details activity based on the Commission’s investment categories, during the fiscal year:

- 2020-2028 Strategic Plan: Focusing for the Future: FY 2020-21 marks the first year to align with the eight-year 2020-2028 Strategic Plan. Due to the transition from one strategic plan to another, the strategic plan framework for FY 2020-21 mirrors the 2015-2020 outline with a focus on the activities within the four priority outcome areas, followed by the Policy & Strategy Support costs and Integration & Learning. Roughly \$82.1 million was expended in FY 2020-21, a decrease of approximately \$8.1 million as compared to FY 2019-20. The primary driver for the decrease were reduced costs within the

areas of Family Supports, Early Care and Education (ECE), Communications & Marketing and Program Evaluation. The projects within the Family Supports' Family Engagement area of work were scheduled to end in FY 2019-20, however, due to the unforeseen consequences of the pandemic, these activities were extended for 90 days into FY 2020-21. Nevertheless, Family Engagement costs were significantly less than those in FY 2019-20. One project within ECE was also earmarked to end in June 2020 but was extended due to the extenuating circumstances stemming from the global pandemic, reducing the budget and actual spending from FY 2019-20 to FY 2020-21 by close to \$11 million. Additionally, new external restricted funding received in FY 2020-21 was used to offset costs within ECE. The reduced year-to-year spending in Communications & Marketing is also largely the result of pandemic-related implications as annual spending used to support large-scale public events, sponsorships, meetings, ads and promotional items for said events were not used in FY 20-21. Program Evaluation activities were delayed or paused due to the pandemic, and others sunsetted according to schedule. These decreases were offset by incremental increases across a small number of projects.

- **Legacy Investments:** This category includes existing multi-year funding scheduled to conclude or be realigned with the 2020-2028 Strategic Plan. Approximately \$2.6 million was expended in FY 2020-21 which reflected just over a \$605,000 reduction in spending. The overall continued decline of resources in support of the Legacy Investments is aligned with internal projections and will continue to decrease in the coming years.

**First 5 LA Funded Provider Grants and Other Allocations Expenses**  
**June 30, 2021**  
**(In Millions)**



#### Salaries and Benefits

Salaries and Benefits decreased from FY 2019-20 by \$555,229 or 3.2%. This was primarily due to vacancy savings and a reorganization and restructure during the fall of 2020 which eliminated selected positions and reduced the full-time equivalent positions going forward from 148 to 120.

#### Operating Services

Operating Services decreased by \$124,329 or 10.3% from prior year due to decrease in general operating costs from the absence of most staff from the workplace due to remote work.

### Consultant Services

The Commission recorded \$905,278 in expenses for the Consultant services in FY 2020-21, a 30.8% decrease from FY 2019-20. The decrease is primarily due to a decrease in temporary labor support for IT services and building management services.

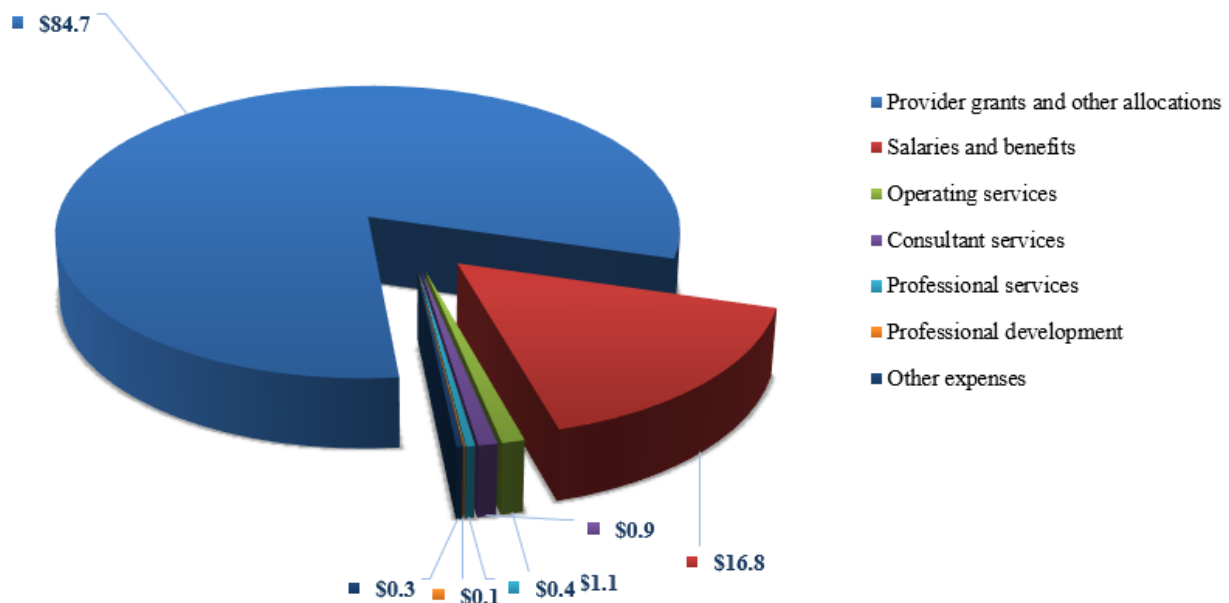
### Professional Services

Professional services increased from FY 2019-20 by \$102,402 or 31.6%. The increase is largely due to higher fees incurred for legal, audit and staff recruitment services.

### Professional Development

Professional development decreased in FY 2020-21 by \$114,982 or 65.3% from FY 2019-20. The decrease is primarily due to travel restrictions and lack of conference opportunities throughout the fiscal year caused by the COVID-19 pandemic.

## **Program and Operating Expenses June 30, 2021 (In Millions)**



## **Analysis of the Governmental Fund**

The activities are contained in the general fund of the Commission. The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, fund balance may serve as a useful measure of the Commission's net resources, both committed and available for future operation needs.

As of the end of FY 2020-21, the Commission's general fund reported a total ending fund balance of \$316.4 million, a decrease of \$22.3 million, or 6.6% in comparison with the prior fiscal year balance of \$338.7 million.

Total fund balance decreased due to an ongoing decline between annual incoming revenue and the expenditures that are required to advance the activities and strategies outlined in the 2020-2028 Strategic Plan, including the ongoing responsibility to multi-year commitments for specific initiatives.

## **Budgetary Highlights**

Based on the information provided in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, the following analysis is presented:

### **Final Revenue Budget vs. Actual Revenue**

The information below provides a summary of the primary factors that caused the variance between revenue estimates and actual revenue.

#### **Tobacco Taxes and Prop 56**

Tobacco tax revenue recorded for FY 2020-21 was \$60.6 million of tobacco tax revenue and \$18.2 million of Proposition 56 backfill. The total combined amount of \$78.8 million was approximately \$7.9 million or 11.1% higher than the anticipated amount of \$70.9 million. The original estimate of \$70.9 million was based on data provided by the California Department of Tax and Fee Administration, updated May 2020.

#### **Other Program Revenue**

Other program revenue recorded for FY 2020-21 was \$522,406 which was significantly lower than estimated in the Long-Term Financial Plan approved by the Commission in July of 2020 due to a program which First 5 LA did not implement. Revenue recorded includes funds from Aurrera Health Group for ACEs Aware and from Los Angeles County Office of Education for the Quality Improvement System project.

#### **Investment Income**

Investment income of \$1.98 million was earned in FY 2020-21. The monthly average return of 0.6% is lower than the 1.2% anticipated and included in the Long-Term Financial Projection approved by the Commission in July of 2020.

## **Original Expenditure Budget vs. Final Expenditure Budget**

In March 2021, the Commission approved an overall reduction of \$444,045 or 0.04% to the original approved \$124.3 million FY 2020-21 Budget. The following provides a brief summary of the primary factors that contributed to the decrease in the final budgeted expenditures compared with the original budgeted expenditures:

### **Provider Grants and Other Allocations**

The overall Program Budget (Provider Grants and Other Allocations) was adjusted upward during the year by \$45,200 or 0.04%. In March 2021 the Commission approved a mid-year budget revision adjusting the Family Supports budget upward by \$587,000, Communities by roughly \$205,000 and Early Care & Education (ECE) by nearly \$2.5 million. The upward adjustment to Family Supports is primarily due to an increase to the Select Home Visiting (SHV) program to better align budget with the actual spending rate, based on higher staff retention and higher than usual personnel expenses. The overall increase to SHV is still within the approved contracted amount. Additionally, Family Supports was awarded \$100,000 in new funding from First 5 California for the Home Visiting Coordination Project. The increase to Communities was the result of adjustments across multiple programs largely in response to the COVID-19 pandemic and the net increase to ECE is primarily the result of new pass-through funding from First 5 CA to support the Dual Language Learner initiative and the QRIS Continuous Site Engagement Quality Start L.A. work. The downward adjustments include Health Systems by \$193,000, Policy & Strategy Support by \$275,000, Integration & Learning by \$75,000 and Emerging Opportunities by nearly \$2.8 million. The biggest driver in the net downward adjustment to the total program budget was the nearly \$2.8 million-dollar downward adjustment to the Emerging Opportunities Fund, dedicated to enhancing First 5 LA's capacity to act on new opportunities or respond to emerging needs when found to align with the strategic direction of the organization. In FY 2020-21, this funding source was also used to centralize funding to aid with the additional costs required to respond to immediate needs resulting from the COVID-19 pandemic. At mid-year, however, it was determined that sufficient resources were included in each of the individual program budgets to offset their respective COVID-19-related support needs. As such, the Emerging Opportunities Fund was adjusted downward accordingly.

### **Operating Services**

Funds were adjusted downward at mid-year, resulting in a net increase of \$150,650 to reflect revised projections based on expenditures through November 2020. This decrease is primarily due to reduced anticipated spending because of the ongoing COVID-19 pandemic in areas such as: Mileage, Parking and Other Transportation; Internal Meetings; Office Supplies; Capital Outlay; and Miscellaneous/Contingency resources intended to support the safety of staff upon returning to the office building, which was postponed until 2022.

### **Consultant Services**

Funds were adjusted downward at mid-year by \$17,000. This was driven primarily by a decrease in the Early Care and Education Department budget from which a budget for offsite retreat was eliminated.

### **Professional Services**

Funds were adjusted downward at mid-year by \$6,900 based on incurred expenditure trends in the first half of the fiscal year and projected need for the remainder of the fiscal year.

### **Travel and Meetings**

Funds were adjusted downward at mid-year by \$286,195. This category includes adjustments eliminating all remaining travel related costs including Airfare, Lodging, Per Diem and Other Travel Expenses that were anticipated for the second half of the fiscal year, due to the ongoing COVID-19 pandemic.

### **Professional Development**

Funds were adjusted downward at mid-year by \$28,500. This category was adjusted to reflect the current conditions where staff are working remotely and unable to attend in-person conferences and trainings due to the ongoing COVID-19 pandemic.

## **Final Expenditure Budget vs. Actual Expenditure Amounts**

The following provides a summary of the primary factors causing the significant variances in the actual expenditures compared with the final budgeted expenditures:

### **Provider Grants and Other Allocations**

The total Provider Grants and Other Allocations variance for FY 2020-21 was approximately \$16.8 million. The primary overarching factor contributing to the FY 2020-21 budget to actual variance was the ongoing COVID-19 pandemic and challenges related to the virtual provision of services and establishing the necessary infrastructure to render services in redefined work structures. In addition:

- Many activity timelines were assessed and extended into the following fiscal year.
- Several activities were assessed and put on a hold or eliminated.
- New external funds were received to offset some budgeted costs.

### **Salaries and Benefits**

Salary and benefit costs were lower than budgeted, with a variance of \$1,165,464. This is due to a combination of regular employee turnover during this fiscal year and vacant positions that were budgeted but not immediately filled. In addition, a reorganization and restructure during the fall of 2020 which eliminated selected positions and lowered the full time equivalent from 148 to 120 going forward.

General Operating Expenditures were less than final budget by \$765,823. Below is an analysis of the significant activities comprising this variance:

### **Office Supplies**

Office Supplies were lower than budgeted, with a variance of \$66,140. This is due to fewer needs related to stay-at-home work orders than what was originally anticipated for FY 2020-21.

### **Hardware & Software Maintenance**

Hardware & Software Maintenance was lower than budgeted with a variance of \$152,123. This is primarily due to several applications that were not utilized in FY 20-21 and did not require licenses to be obtained.

### **Miscellaneous/Contingency**

Miscellaneous and contingency expenses had a savings of \$89,407 for FY 20-21. This is due to a reduction in one-time events or emergency needs over the fiscal year.

### **Internal Meetings**

Internal Meeting expense was lower than budgeted, with a variance of \$91,830. This is due to staff working remotely during the fiscal year and virtual meetings were held.

### **Division Capacity Building**

Costs for division capacity building were lower than budgeted, with a variance of \$72,900 or 97.2%. This is due to resources being categorized in different expense categories.

### **Capital Outlay**

Capital outlay fees were significantly lower than budgeted, with a variance of \$138,274. This is primarily due to purchases of laptops and computer equipment that were transferred and added to fixed asset category and depreciated.

#### Consultant Services

Consultant services expenditures were \$866,947 less than the final budget. The variance was primarily the result of Consultant Fees being less than final budget by \$786,048 as a result of decrease need for temporary labor support for Information Technology services.

#### Professional Development

Professional development expenditures were \$298,115 less than the final budget. The variance was primarily the result of Conference Registration being less than the final budget of \$100,713 as a result of less opportunities for an in-person conferences and travel restrictions that were placed due to the on-going pandemic.

The final budget for Operating Services was reduced by just over \$489,000 to \$22.3 million for FY 2020-21, while the Program Budget was increased by just over \$45,000 due to various adjustments but primarily because of new revenues received to offset existing budget costs. Other adjustments were related to the alignment of budget to actual spending trends for the first half of FY 2020-21, alignment to final negotiated contract amounts and a reassessment of the timeline activities which extended some activities, and costs, into the next fiscal year and eliminated others.

#### **Other Potentially Significant Matters**

The State projections assume a roughly 3-5% rate of revenue decline on an annual basis starting in FY 2020-21 through FY 2027-28. The projected annual revenue decrease is estimated to be 3.9% through FY 2021-22 based on the most recent estimate from the California Department of Tax and Fee Administration (CDFTA) projections updated May 21, 2020.

First 5 LA continues to receive backfill “hold harmless” payments from the State to keep Proposition 10 revenue whole for participating counties following the passage and implementation of SBx2 and Proposition 56.

#### **Contacting the Commission’s Financial Management**

This financial report is designed to provide the public with an overview of the Commission’s financial operations and condition. If you have questions about this report or need additional information, please contact the Commission’s Director of Finance at (213) 482-7545 or 750 N. Alameda Street, Suite 300, Los Angeles, California 90012.

Los Angeles County Children and Families First – Proposition 10 Commission  
Statement of Net Position and Governmental Fund Balance Sheet  
June 30, 2021

	General Fund	Adjustments (Note 1)	Statement of Net Position
<b>Assets</b>			
Cash and investments	\$ 329,633,220	\$ -	\$ 329,633,220
State receivable	6,518,992	-	6,518,992
Investment income receivable	188,613	-	188,613
Advances to grantees	2,239,303	-	2,239,303
Capital assets			
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	8,355,423	8,355,423
<b>Total assets</b>	<b><u>\$ 338,580,128</u></b>	<b><u>\$ 10,394,423</u></b>	<b><u>\$ 348,974,551</u></b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 21,883,865	\$ -	\$ 21,883,865
Compensated absences			
Due within one year	-	194,745	194,745
Due in more than one year	-	806,802	806,802
<b>Total liabilities</b>	<b><u>21,883,865</u></b>	<b><u>1,001,547</u></b>	<b><u>22,885,412</u></b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	274,026	(274,026)	-
<b>Total deferred inflows of resources</b>	<b><u>274,026</u></b>	<b><u>(274,026)</u></b>	<b><u>-</u></b>
<b>Fund Balance/Net Position</b>			
Fund balance			
Nonspendable	2,239,303	(2,239,303)	-
Committed	175,100,818	(175,100,818)	-
Assigned	59,941,864	(59,941,864)	-
Unassigned	79,140,252	(79,140,252)	-
<b>Total fund balance</b>	<b><u>316,422,237</u></b>	<b><u>(316,422,237)</u></b>	<b><u>-</u></b>
<b>Net position</b>			
Net investment in capital assets	-	10,394,423	10,394,423
Unrestricted	-	315,694,716	315,694,716
<b>Total net position</b>	<b><u>-</u></b>	<b><u>326,089,139</u></b>	<b><u>326,089,139</u></b>
<b>Total liabilities, deferred inflows of resources and fund balance/net position</b>	<b><u>\$ 338,580,128</u></b>	<b><u>\$ 10,394,423</u></b>	<b><u>\$ 348,974,551</u></b>

**Los Angeles County Children and Families First – Proposition 10 Commission**  
**Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2021**

	General Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Program revenues			
Operating grants and contributions			
Tobacco taxes	\$ 60,590,413	\$ -	\$ 60,590,413
Prop 56	18,215,617	-	18,215,617
State Commission Program Funds	2,952,210	(482,800)	2,469,410
Medi-Cal Administrative Activities	80,319	-	80,319
California Department of Education	32,830	-	32,830
Other program revenue	531,868	(9,462)	522,406
	<u>82,403,257</u>	<u>(492,262)</u>	<u>81,910,995</u>
Total program revenues			
General revenues			
Investment income	1,987,840	-	1,987,840
Net decrease in fair value of investments	(2,861,364)	-	(2,861,364)
Other general income	105,414	16,480	121,894
	<u>(768,110)</u>	<u>16,480</u>	<u>(751,630)</u>
Total general revenues			
Total revenues	<u>81,635,147</u>	<u>(475,782)</u>	<u>81,159,365</u>
Expenditures/expenses			
Provider grants and other allocations	84,700,927	-	84,700,927
Salaries and benefits	16,639,241	198,849	16,838,090
Operating services	1,087,787	-	1,087,787
Consultant services	905,278	-	905,278
Professional services	426,218	-	426,218
Professional development	61,235	-	61,235
Travel	86	-	86
Capital outlay	75,944	(75,944)	-
Depreciation	-	309,554	309,554
	<u>103,896,716</u>	<u>432,459</u>	<u>104,329,175</u>
Total expenditures/expenses			
Excess/(deficiency) of revenues over/(under) expenditures	(22,261,569)	-	-
Net Change in Fund Balance	(22,261,569)	22,261,569	-
Change in Net Position	-	(23,169,810)	(23,169,810)
Fund balance/net position			
Beginning of year	338,683,806	10,575,143	349,258,949
End of year	<u>\$ 316,422,237</u>	<u>\$ 9,666,902</u>	<u>\$ 326,089,139</u>

**Note 1 - Organization and Summary of Significant Accounting Policies**

**Reporting Entity**

With the passage of a ballot initiative in November 1998, California (the “State”) voters approved the establishment of the Los Angeles County Children and Families First – Proposition 10 Commission (the “Commission”), a component unit of Los Angeles County. A thirteen-member Board of Commissioners governs the Commission. The Commission was created by and ultimately is under the authority of the Los Angeles County Board of Supervisors, in accordance with California State Law, through its appointment of the Board of Commissioners and its ability to remove the Commissioners at will. The Commission is a public entity legally separate and apart from the County. The initiative, Proposition 10, mandated an additional 50-cent-per-pack tax on cigarettes and a comparable increase in the tax of other tobacco products and required that the new funds be used on programs focused exclusively on early childhood development for children prenatal up to five years of age.

Following the directive of Proposition 10 to fund programs at the community level, each of the State’s 58 counties created a Proposition 10 Commission as well as a trust fund to receive Proposition 10 revenues. In Los Angeles County, the Board of Supervisors passed an ordinance in December 1998 to establish the Los Angeles County Children and Families First – Proposition 10 Commission, and in May 1999, the Commission held its first meeting, elected officers and established a number of ad hoc committees to address organizational and planning issues. The Commissioners and others who were involved in the effort regarded Proposition 10 as an extraordinary and unprecedented opportunity to begin making a difference in the lives of pregnant women, young children and their families, and to do so at a point in their lives when it can make the most difference. In August 2002, the Commission introduced a new branding identity, First 5 LA, to signify the importance of the first five years of life.

The Commission’s vision statement is that all children throughout Los Angeles’ diverse communities, “are born healthy and raised in a safe, loving and nurturing environment so that they grow up healthy in mind, body, and spirit, are eager to learn with opportunities to reach their full potential.” The Commission’s mission, in partnership with others, is to “strengthen families, communities, and systems of services and support so all children in LA County enter kindergarten ready to succeed in school and life”.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission’s remaining assets.

## **Basis of Accounting and Measurement Focus**

### **Government-Wide Financial Statements**

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting government are reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with operation of the Commission's fund are included on the statement of net position. The statement of activities presents a comparison of the direct expenses and program revenues for the Commission's governmental activities. Program revenues include grants and contributions restricted for the operational requirements of a particular program. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Program revenues include tobacco taxes and grants and contributions that are restricted to meeting the operational requirements of a particular program. General revenues are all revenues that do not qualify as program revenues and include investment income and other income. Net position represent the resources that the Commission has available for use in providing services. Net position is composed of net investment in capital assets and unrestricted funds. At June 30, 2021, the Commission reported unrestricted net position of \$315,694,716.

### **Fund Financial Statements**

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance of the Commission's general fund. These statements are presented on a current-financial resources measurement focus. The fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in net current resources. All operations of the Commission are accounted for in the general fund.

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 60 days after year-end. Revenues susceptible to accrual include tax revenues, grants, and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences which are recorded only when payment is due.

## **Adjustments Between Fund Financial Statements and Government-Wide Financial Statements**

### **Capital Assets**

Capital assets are not considered to be financial resources and therefore, are not reported as an asset in the fund financial statements. Capital assets in the amount of \$10,394,423 are capitalized and reported at cost, net of accumulated depreciation, in the government-wide financial statements. Capital assets purchased during the year in the amount of \$75,944 are reported as expenditures on the fund financial statements and capitalized on the government-wide financial statements. Depreciation expense for the year ended June 30, 2021 amounted to \$309,554 and is included in the government-wide financial statements.

### **Long-Term Liabilities**

As of June 30, 2021, the Commission estimated its liability for vested compensated absences to be \$1,001,547. Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government-wide financial statements and are included in long-term liabilities. The change in compensated absences during the year of \$198,849 is reported in the statement of activities and does not require the use of current financial resources.

### **Unavailable Revenue**

Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission's established availability period of 60 days. All other accrued revenues due to the Commission are recognized as unavailable revenue at year-end in the fund financial statements. Governmental funds recognized unavailable revenue where receivables are not available to liquidate liabilities of the current period. As of June 30, 2021, the Commission has unavailable revenues of \$274,026. The change in unavailable revenue during the year of \$(475,782) is reported in the statement of activities.

### **Net Position**

In the government-wide financial statements, net position represents the difference between assets less liabilities and is classified into two components:

- Net investment in capital assets – This balance reflects the net position of the Commission that are invested in capital assets. This amount is generally not accessible for other purposes.
- Unrestricted net position – This balance represents the net amount of the assets and liabilities that are available for general use.

## Fund Balance

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission established the following classifications and definitions of fund balance for the year ended June 30, 2021:

- a. **Nonspendable**  
Portion of net resources that cannot be spent because they are not in an expendable form (e.g. Advances to Grantees) or the portion of net resources that cannot be spent because they must be maintained intact (e.g. revolving fund or the principal of an endowment).
- b. **Restricted (externally enforceable limitations on use)**  
Amounts constrained to specific purposes by their providers (such as creditors, grantors, contributors, or laws and regulations of other governments: e.g. funds advanced by First 5 CA under specific agreements for services such as matching funds for specific initiatives). Amounts constrained by limitations imposed by law through constitutional provisions or enabling legislation (e.g. funds legally restricted by County, state, or federal legislature, or a government's charter or constitution; or amounts collected from non-spendable items such as long term portion of loan outstanding if those amounts are subject to legal constraint).
- c. **Committed (self-imposed limitations in place prior to end of the period)**  
Amounts constrained by limitations imposed at the highest level of decision making authority that requires the same formal action at the same level to remove or modify. The formal action required by the Board of Commissioners for funds to be committed is action by way of resolution allocating funding for a specific program or initiative.
- d. **Assigned (limitation resulting from intended use)**  
Amounts or limitations that are constrained by the Commission's intent to be used for a specific purpose (the purpose of the assignment must be narrower than the general fund itself) and are not either restricted or committed. Adoption of a Strategic Plan or Long Term Financial Plan with general spending parameters would be examples of the Commission's intent and would constitute an assignment. Accordingly, modification to the Commission's intent would not require formal action. Further, the Commission may designate a body/committee or an official who can specify such purposes. However, as of June 30, 2021, the Commission had not made such a designation.
- e. **Unassigned (residual net resources)**  
Resources in the fund balance that cannot be reported in any other classification including a minimum fund balance reserve based on 50% of the operating and programmatic budget. It also includes the negative residual fund balance that cannot be eliminated by offsetting assigned fund balance amounts.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources as needed. The spending priority of fund balance is restricted, committed, assigned, and then unassigned.

## **Effect of New Governmental Accounting Standards Board (GASB) Pronouncements**

### **Effective in Current Fiscal Year**

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2019. The Commission implemented this statement effective July 1, 2020 and determined that there was no impact on the Commission’s financial statements.

**GASB Statement No. 90** – In September 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, An Amendment of GASB Statements No. 14 and No. 61. The objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2019. The Commission implemented this statement effective July 1, 2020 and has determined that there was no impact on the Commission’s financial statements.

### **Effective in Future Fiscal Years**

The GASB has issued the following pronouncements that have effective dates which may impact future financial statement presentation. The Commission has not determined the effect of the following Statements:

GASB Statement No. 87 - *Leases*.

GASB Statement No. 91 - *Conduit Debt Obligations*.

GASB Statement No. 92 - *Omnibus 2020*.

GASB Statement No. 93 - *Replacement of Interbank Offered Rates*.

GASB Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*.

GASB Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

### **Investments**

The Commission participates in the common investment pool of Los Angeles County. Investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Los Angeles County Treasurer is responsible for establishing and consistently applying a policy for identifying those events that might affect fair value measurements.

# Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements  
For the Year Ended June 30, 2021

## Advances to Grantees

The Commission may provide advances to grantees/contractors that are repayable by the end of the fiscal year unless otherwise stipulated by contract or agreement. During fiscal year 2020-21, the Commission entered into agreements with various grantees to support the Commission's 2020-2028 Strategic Plan "North Star" – *that by 2028, all children in Los Angeles County will enter kindergarten ready to succeed in school and life*. The Commission has the following outstanding advances to grantees as of June 30, 2021.

Advances to Grantees	
California Community Foundation	\$ 75,000
Child Care Alliance of Los Angeles	77,866
Child Care Alliance of Los Angeles (PEACH)	48,138
Community Health Councils	139,278
Community Partners	461,036
El Nido Family Centers	128,570
Long Beach Nonprofit Partnership, Inc.	83,556
Los Angeles County Office of Education (LACOE)	163,156
Los Angeles Universal Preschool dba Child360	673,235
Para Los Ninos	365,917
Seed Collaborative	10,143
Southern California For Nonprofit Management	13,408
	<hr/>
Total advances to grantees	<u>\$ 2,239,303</u>

## Capital Assets

Capital assets are composed of land, buildings, building improvements, computer software and accessories, office equipment and furniture and fixtures and are recorded at cost. Donated capital assets are recorded at acquisition value at the date of donation. The Commission capitalizes assets with a cost in excess of \$5,000 and with a useful life greater than one year. The Commission depreciates capital assets using a straight-line method over the estimated useful life of fifty years for buildings, four years for computers and five years for office equipment and furniture and fixtures. Building improvements are depreciated over the remaining useful life of the building.

## Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission has one type of deferred inflow, unavailable revenue, which occurs only under the modified accrual basis of accounting. Accordingly, the item is reported only in the governmental fund balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

# Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements  
For the Year Ended June 30, 2021

## Note 2 - Cash and Investments

Total cash and investments at fair value, as of June 30, 2021 are as follows:

Cash	
Cash in bank	<u>\$ 213,437</u>
Investments	
Money Market Mutual Funds	8,000,058
Investments with County Treasurer	
Pooled cash and investments	<u>321,419,725</u>
Total investments	<u>329,419,783</u>
Total cash and investments	<u><u>\$ 329,633,220</u></u>

### Cash in Bank

The California Government Code requires California banks and savings and loan associations to secure the Commission's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits and collateral is considered to be held in the name of the Commission. At June 30, 2021, cash held by financial institutions of \$213,838 was entirely insured and collateralized as described above. The book balance at June 30, 2021 was \$213,437.

### Pooled Cash and Investments

Investments with the Los Angeles County Treasurer at June 30, 2021 are stated at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals. As of June 30, 2021, the Commission's percentage of participation is 0.82. The Los Angeles County Treasury is sponsored and administered by the County of Los Angeles and oversight is conducted by the County Treasury Oversight Committee. At June 30, 2021, the weighted average maturity for the County pool approximated 1045 days and the County pool is not rated. For further information regarding the Los Angeles County Investment Pool, refer to the County of Los Angeles Annual Comprehensive Financial Report.

# Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements  
For the Year Ended June 30, 2021

## Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the Commission's proportionate share of investments in the Los Angeles County Investment Pool at June 30, 2021 is uncategorized and not defined as a Level 1, Level 2, or Level 3 input. The Commission's investment in money market mutual funds is defined as Level 2.

The table below identifies the investment types that are authorized by the California Government Code or the Commission's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the Commission's investment policy for a Specifically Invested Portfolio, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk.

Type	Limit Per Issuer	Total Limit	Maximum Maturity
Certificates of Deposits (CDs)	5%	30%	5 Years
Commercial Paper (CP)	5%	40%	5 Years
Corporate Notes	5%	30%	5 Years
Federal Agencies	15%	60%	5 Years
U.S. Treasuries	100%	100%	5 Years
Los Angeles County Investment Pool;	None	None	N/A
Money Market Mutual Funds	None	None	None

The County Treasurer's Investment Policy diversifies investments among issues and issuers with a minimum credit rating to mitigate credit risk. For an issuer of short-term debt, the rating must be no less than P-1/A (Moody's) or A-1/A (S&P) while an issuer of long-term debt shall be rated no less than A. The Commission's investment in money market mutual funds is rated Aaa (Moody's) and AAA (S&P).

# Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements  
For the Year Ended June 30, 2021

## Note 3 - Capital Assets

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets, not depreciated				
Land	\$ 2,039,000	\$ -	\$ -	\$ 2,039,000
Capital assets, depreciable				
Building and improvements	12,076,512	-	-	12,076,512
Computer software and accessories	2,039,785	75,944	-	2,115,729
Office equipment	331,035	-	-	331,035
Furniture and fixtures	627,670	-	-	627,670
Total depreciable capital assets	15,075,002	75,944	-	15,150,946
Less accumulated depreciation				
Building and improvements	(3,648,202)	(242,542)	-	(3,890,744)
Computer software and accessories	(1,879,066)	(67,012)	-	(1,946,078)
Office equipment	(331,032)	-	-	(331,032)
Furniture and fixtures	(627,669)	-	-	(627,669)
Total accumulated depreciation	(6,485,969)	(309,554)	-	(6,795,523)
Total capital assets, depreciable (Net)	8,589,033	(233,610)	-	8,355,423
Capital assets, net	\$ 10,628,033	\$ (233,610)	\$ -	\$ 10,394,423

## Note 4 - Changes in Compensated Absences

Compensated absences liability activities for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 802,698	\$ 753,403	\$ (554,554)	\$ 1,001,547	\$ 194,745

# Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements  
For the Year Ended June 30, 2021

## Note 5 - Fund Balance

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance at June 30, 2021 consists of the following:

Initiative/Program Allocation	Nonspendable
California Community Foundation	\$ 75,000
Child Care Alliance of Los Angeles	77,866
Child Care Alliance of Los Angeles (PEACH)	48,138
Community Health Councils	139,278
Community Partners	461,036
El Nido Family Centers	128,570
Long Beach Nonprofit Partnership, Inc.	83,556
Los Angeles County Office of Education (LACOE)	163,156
Los Angeles Universal Preschool dba Child360	673,235
Para Los Ninos	365,917
Seed Collaborative	10,143
Southern California For Nonprofit Management	13,408
Total Nonspendable	<u>\$ 2,239,303</u>
	Committed
Annual Reporting	\$ 74,000
Assisting and Supporting Staff with Information for Specialized Tasks	119,000
Baby Friendly Hospitals/Family Place Libraries	22,857,729
Bold Vision	150,000
California Health Foundation & Trust	125,000
California Strategies - State Policy and Sustainability Advocate	220,500
California Strategies - Strategic Plan Advocacy Strategies	178,850
Capital Project Fund	6,138,336
Center for Strategic Partnerships	25,000
Child Care Alliance of Los Angeles	564,846
Child360	518,746
Children's Data Network (CDN)	850,000
Children's Hospital Los Angeles	24,483
Communities	17,379,000
Community Partners - Capacity Strengthening Learning Consortium	289,334
Community Partners - Early Care and Education, ECE Policy and Advocacy Fund	3,130,567
Conference Funding to Advance the Field of Early Childhood Development	150,000
County Data Partnership	115,000
County Partnership Fund	225,000
Data Policies & Practices	150,000
Data Requests	5,000
Early Care & Education Systems	8,085,029
Emerging Opportunities Fund	1,500,000
Family Supports	6,259,000

# Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements  
For the Year Ended June 30, 2021

Initiative/Program Allocation	
Federal Policy and Sustainability Advocate	\$ 100,000
First 5 LA Data Strategy	250,000
Health Systems	5,146,517
Impact Framework	430,000
Infrastructure Support for Sustainability and Health Planning	180,000
L.A. Care Health Plan	1,209,460
Little by Little/One Step Ahead	7,636,121
Los Angeles County Office of Education	641,814
Medi-Cal Administrative Activities Implementation Support	108,545
Mountain View School District - KRA	22,998
Organizational Memberships and Stakeholder Engagement Efforts	508,000
Organization-wide Sponsorships to Build Partnerships and PublicWill for First 5 LA's Results Areas	200,000
Policy Advocacy Fund Technical Assistance Provider	400,000
Select Home Visitation	28,071,660
Southern California Grantmakers (SCG)	50,000
State Policy and Sustainability Advocate	227,500
Strategic Communications	2,500,000
Strategic Communications Partnerships	539,000
Strategic Marketing	1,575,000
Strategic Plan Advocacy Strategies	1,084,150
Welcome Baby Hospital	54,701,633
WIC Data Mining Research Partnership	384,000
Total Committed	<u>\$ 175,100,818</u>
	Assigned
Strategic Plan	<u>\$ 59,941,864</u>
Total Assigned	<u>\$ 59,941,864</u>
	Unassigned
Unassigned	\$ 21,992,168
Fund Balance Reserve - 50% of total FY 21-22 Budget	57,148,084
Total Unassigned	<u>\$ 79,140,252</u>
Total Fund Balance	<u><u>\$ 316,422,237</u></u>

**Note 6 - Program Evaluation**

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties.

The Commission spent \$2,653,729 on program evaluation during the year ended June 30, 2021.

**Note 7 - Deferred Compensation Plans**

All regular and limited-term employees of the Commission participate in the 403(b) Savings and Investment Plan, a defined contribution plan administered by The Standard. Benefit provisions under the plan are established by the California Government Code Section 31694(a) and other applicable statutes. The 403(b) Savings and Investment Plan provides for service retirement, death, and disability benefits to plan members. The plan can be amended by executive management of the Commission.

Regular and limited-term employees are eligible to receive both an elective and a non-elective contribution based on years of completed service with the organization. The elective contribution requires employee participation in order to receive the employer match, and is between 1% and 3% depending on the employee's contribution and the years of service the employee has completed with the organization: 1% for less than one year, 2% after one year and 3% for after two years or more of completed service. The Commission also makes a separate, non-elective contribution into the retirement plan regardless of employee participation. This non-elective employer contribution is between 3% and 7.5% based on years of completed service with the organization: 3% for less than 5 years, 4.5% for 5 to 9 years, 6% for 10 to 14 years, and 7.5% after 15 years or more of completed service. Employer contributions are not 100% vested until an employee has completed three years of service with the organization, with a graded vesting schedule for employees who complete at least one year of service. The Commission contributed a total of \$786,774, comprised of \$321,650 in elective contribution and \$465,124 in non-elective contribution for the fiscal year ended June 30, 2021.

**Note 8 - Unavailable Revenue**

The general fund reports unavailable revenue on the governmental fund balance sheet in connection with resources that have been earned but are not yet available to finance expenditures of the current fiscal period. This type of deferred inflow of resources occurs only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the general fund balance sheet. At the end of the current fiscal year, the components of unavailable revenue resulting from funds not received within the 60-day period of availability were as follows:

# Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements  
For the Year Ended June 30, 2021

Unavailable Revenue	
ACEs Aware Funds	\$ 156,770
Home Visiting Coordination Funds from F5CA	35,544
DLL Grant from F5CA	<u>81,712</u>
Total unavailable revenue	<u><u>\$ 274,026</u></u>

## Note 9 - Risk Management

The Commission is exposed to various risks of loss related to general liability, property liability, health benefits, workers' compensation and auto. These risks are addressed through commercial insurance policies.

The Commission's property and liability insurance is provided by insurance companies that are "Non-Admitted" insurance companies in the State of California. If such a company becomes insolvent, the California Insurance Guarantee Association will not settle unpaid claims.

No claims or suits are pending against the Commission arising out of proposed claim settlements covered by insurance. No settlements exceeded insurance coverage during the last three years.

## Note 10 - Commitments and Contingencies

### Operating Lease

The Commission leases equipment from a third party which expires in May 2022 and August 2024 and are non-cancelable. The future minimum rental payments due under the lease are as follows:

<u>For the Year Ending June 30,</u>	<u>Annual</u>
2022	\$ 32,715
2023	21,290
2024	21,290
2025	<u>3,548</u>
Total	<u><u>\$ 78,843</u></u>

The Commission recognized \$22,368 in lease expense for the year ended June 30, 2021.

### Future Funding

The Commission has entered into future funding commitments with various entities, which are contingent on State funding.

**Note 11 - Related Party Transactions**

The Commission incurred expenses totaling \$10,596 for County of Los Angeles services provided during the year ended June 30, 2021.

In the fiscal year, the Commission incurred \$53,868,155 of expenditures for provider grants, operating services, consultant services, and professional services to organizations which are represented by 12 members of the Board of Commissioners. As of June 30, 2021, amounts of \$9,531,736 are included in accounts payable to these organizations.

**Note 12 - First 5 California Signature Programs**

**Improve and Maximize Programs so All Children Thrive (IMPACT) Regional Coordination and Training and Technical Assistance Hubs (Hubs) Program**

The purpose of IMPACT is to support a network of local quality improvement systems to better coordinate, assesses, and improve the quality of early learning settings to achieve the goal of helping children ages 0 to 5 and their families thrive by increasing the number of high quality early learning settings, including supporting and engaging families in the early learning process. Funding is to center around Continuous Quality Improvement, including a network of local Quality Rating and Improving System (QRIS). All IMPACT funds require a local match based on county size. For the Commission, a one to one match ratio or a dollar of local funding match with a dollar of IMPACT fund is required. The Commission claimed \$1,305,244 in IMPACT Regional Coordination and Training reimbursable expenditures for the year ended June 30, 2021.

For IMPACT Hubs, the primary focus is to provide coordination and specialized support to consortia within a region or with similar technical assistance needs to create economies of scale while building a local early learning system. The Commission claimed \$809,029 in IMPACT Hubs reimbursable expenditures for the year ended June 30, 2021.

Required Supplementary Information  
June 30, 2021

# Los Angeles County Children and Families First – Proposition 10 Commission

**Los Angeles County Children and Families First – Proposition 10 Commission**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund**  
**For the Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Tobacco taxes	\$ 67,885,883	\$ 70,909,108	\$ 60,590,413	\$ (10,318,695)
Prop 56	-	-	18,215,617	18,215,617
State Commission Program Funds	2,765,000	2,765,000	2,952,210	187,210
Medi-Cal Administrative Activities	-	-	80,319	80,319
California Department of Education	-	-	32,830	32,830
Other program revenue	4,375,000	4,375,000	531,868	(3,843,132)
Investment income	4,050,792	4,050,792	1,987,840	(2,062,952)
Net increase (decrease) in fair value of investments	-	-	(2,861,364)	(2,861,364)
Other general income	-	-	105,414	105,414
<b>Total revenues</b>	<b>79,076,675</b>	<b>82,099,900</b>	<b>81,635,147</b>	<b>(464,753)</b>
<b>Expenditures</b>				
<b>Program Costs</b>				
Provider grants and other allocations	101,459,000	101,504,200	84,700,927	16,803,273
<b>Total program costs</b>	<b>101,459,000</b>	<b>101,504,200</b>	<b>84,700,927</b>	<b>16,803,273</b>
<b>Operations &amp; Administration</b>				
<b>Personnel Related Expenditures</b>				
Salaries and wages	13,722,800	13,722,800	13,380,527	342,273
Fringe Benefits	4,081,895	4,081,895	3,258,714	823,181
<b>Total personnel related expenditures</b>	<b>17,804,695</b>	<b>17,804,695</b>	<b>16,639,241</b>	<b>1,165,454</b>
<b>General Operating Expenditures</b>				
ADP Payroll Charges	40,000	40,000	35,568	4,432
Workers' Compensation Insurance	75,000	61,000	60,927	73
Utilities	145,000	145,000	112,742	32,258
Corporate Insurance	90,000	101,000	101,638	(638)
Mileage and Parking	43,370	34,670	256	34,414
Telephones and Modems	70,000	70,000	62,844	7,156
Cell Phones and Mobile Devices	116,100	167,400	119,100	48,300
Outside Printing	3,600	3,600	352	3,248
Other Supplies	10,250	10,250	-	10,250
Postage and Delivery	13,200	13,200	5,656	7,544
Educational Supplies	2,900	2,900	1,630	1,270
Office Supplies	77,870	77,570	11,430	66,140
Subscriptions and Publications	25,440	28,240	22,557	5,683
Equipment Rental	27,000	27,000	22,368	4,632
Building Repairs and Maintenance	150,000	150,000	161,830	(11,830)
Equipment Repairs and Maintenance	12,000	12,000	232	11,768
Offsite Storage	25,000	29,550	32,961	(3,411)
Hardware and Software Maintenance	470,730	470,730	318,607	152,123
Miscellaneous/Contingency	259,000	95,000	5,593	89,407
Internal Meetings	125,800	95,000	3,170	91,830
Division Capacity Building	75,000	75,000	2,100	72,900
Capital Outlay	147,000	144,500	6,226	138,274
<b>Total general operating expenditures</b>	<b>2,004,260</b>	<b>1,853,610</b>	<b>1,087,787</b>	<b>765,823</b>

**Los Angeles County Children and Families First – Proposition 10 Commission**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund**  
**For the Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Professional Services				
Audit	\$ 90,000	\$ 90,000	\$ 58,130	\$ 31,870
Legal	150,000	150,000	154,342	(4,342)
Professional Dues	126,718	119,818	88,613	31,205
Staff Recruitment	10,000	10,000	58,197	(48,197)
Commission Stipends	25,000	25,000	25,050	(50)
Web-Based Services	48,000	48,000	31,290	16,710
Bank & Other Service Charges	35,000	35,000	10,596	24,404
Total professional services	<u>484,718</u>	<u>477,818</u>	<u>426,218</u>	<u>51,600</u>
Consultant Services				
Consultant Fees	1,435,725	1,418,725	632,677	786,048
Other Professional Fees	350,500	350,500	272,601	77,899
External Reviewers	3,000	3,000	-	3,000
Total consultant services	<u>1,789,225</u>	<u>1,772,225</u>	<u>905,278</u>	<u>866,947</u>
Travel and Meetings				
Airfare	127,350	10,500	6	10,494
Lodging	114,225	6,000	-	6,000
Per Diem	59,745	4,125	-	4,125
Other Travel Expense	25,425	19,925	80	19,845
Total travel and meetings	<u>326,745</u>	<u>40,550</u>	<u>86</u>	<u>40,464</u>
Professional Development				
Training Materials & Supplies	11,300	11,300	80	11,220
Internal Training	92,000	91,000	-	91,000
Leadership Programs	48,500	48,500	14,005	34,495
Conference Registration	158,750	142,650	41,937	100,713
External Education/Training	77,300	65,900	5,213	60,687
Total professional development	<u>387,850</u>	<u>359,350</u>	<u>61,235</u>	<u>298,115</u>
Capital Improvements	-	-	75,944	(75,944)
Total operating expenditures	<u>22,797,493</u>	<u>22,308,248</u>	<u>19,195,789</u>	<u>3,112,459</u>
Total program costs and operating expenditures	<u>124,256,493</u>	<u>123,812,448</u>	<u>103,896,716</u>	<u>19,915,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (45,179,818)</u>	<u>\$ (41,712,548)</u>	<u>\$ (22,261,569)</u>	<u>\$ 19,450,979</u>
Fund balance - Beginning of year			338,683,806	
Fund balance - End of year			<u>\$ 316,422,237</u>	

**Note 1 – Budget Adoption**

The Commission adopts a budget annually in accordance with generally accepted accounting principles based on estimates of revenue and anticipated expenditures. The Board of Commissioners has given the Executive Director authority to make budget adjustments between line items in the Commission's annual budget for Operating and Administrative costs in an amount not to exceed \$25,000. Any budget adjustment between line items in excess of \$25,000 requires approval of the Board of Commissioners.

The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund includes the budgeted expenditures for the year, along with management's estimate of revenues for the year. The legal level of budgetary control is at the total fund level. The total final budget for FY 2020-21 was \$123.8 million, which included \$101.5 million for Program costs and \$22.3 million for Operating and Administrative costs.

Other Supplementary Information  
June 30, 2021

# Los Angeles County Children and Families First – Proposition 10 Commission

Los Angeles County Children and Families First – Proposition 10 Commission  
Schedule of First 5 California Funding  
For the Year Ended June 30, 2021

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Program	Source	Revenue Funds	Expenditures
IMPACT Regional Coordination and Training	First 5 California	\$ 1,305,244	\$ 1,305,244
Technical Assistance Hubs (Hubs)	First 5 California	809,029	809,029

The information in this section is not covered by the Independent Auditor’s Report, but it is presented as supplemental data for the benefit of the readers of the Annual Comprehensive Financial Report. The objectives of statistical section information are to provide financial statement users with additional information to understand and assess the Commission's economic condition.

	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.	36-39
Revenue Capacity	
These schedules contain trend information to help the reader assess the Commission's most significant revenue base.	40-42
Demographic Information	
These schedules offer economic and demographic indicators to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.	43-45
Operating Information	
This schedule contains infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the Commission performs.	46-47

## Sources:

Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant years.

Los Angeles County Children and Families First – Proposition 10 Commission  
Net Position by Component  
Last Ten Fiscal Years

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	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	315,694,716	338,630,916	364,338,314	379,018,838	422,015,244	461,512,770	543,521,742	632,680,166	723,252,516	829,030,048
Net investment in capital asset	10,394,423	10,628,033	10,841,379	11,046,294	11,310,273	11,593,026	11,885,041	12,082,438	12,355,226	12,777,760
<b>Total net position</b>	<u><u>\$ 326,089,139</u></u>	<u><u>\$ 349,258,949</u></u>	<u><u>\$ 375,179,693</u></u>	<u><u>\$ 390,065,132</u></u>	<u><u>\$ 433,325,517</u></u>	<u><u>\$ 473,105,796</u></u>	<u><u>\$ 555,406,783</u></u>	<u><u>\$ 644,762,604</u></u>	<u><u>\$ 735,607,742</u></u>	<u><u>\$ 841,807,808</u></u>

\* The Commission presented net position as unrestricted beginning with 2010.

Los Angeles County Children and Families First – Proposition 10 Commission  
Changes Net Position  
Last Ten Fiscal Years

	2021	2020	2019	2018*	2017	2016	2015	2014	2013	2012
<b>Revenues</b>										
Tobacco taxes*	\$ 60,590,413	\$ 60,022,841	\$ 68,580,443	\$ 72,330,836	\$ 83,567,141	\$ 87,942,700	\$ 89,475,135	\$ 90,280,307	\$ 94,112,590	\$ 100,187,619
Prop. 56	18,215,617	18,068,329	7,482,310	-	-	-	-	-	-	-
State School Readiness	-	-	-	-	-	-	-	-	-	-
State Commission Program Funds	2,469,410	922,472	13,986,085	896,040	556,665	5,796,252	10,283,414	18,009,907	2,749,082	8,098,412
Medi-Cal Administrative Activities	80,319	133,955	350,924	181,859	137,599	159,549	80,799	232,408	316,369	483,325
Partnership for Families Fund**	-	-	-	-	4,334,967	9,001,152	4,615,313	-	-	-
California Department of Education	32,830	328,658	376,551	298,700	-	-	-	-	-	-
Other program revenue	522,406	584,118	123,793	1,016,683	401,956	115,000	-	-	-	-
Investment income	1,987,840	6,938,051	8,183,532	6,830,856	4,003,489	3,759,751	3,903,275	6,368,593	(3,402,141)	915,935
Net increase (decrease) in FMV of investments	(2,861,364)	1,354,275	4,898,141	(2,742,856)	(3,026,254)	1,064,007	2,152,879	-	-	-
Other revenues	121,894	110,899	133,321	148,135	122,208	119,100	104,072	100,320	98,880	9,048
Total revenues:	<u>\$ 81,159,365</u>	<u>\$ 88,463,598</u>	<u>\$ 104,115,100</u>	<u>\$ 78,960,253</u>	<u>\$ 90,097,771</u>	<u>\$ 107,957,511</u>	<u>\$ 110,614,887</u>	<u>\$ 114,991,535</u>	<u>\$ 93,874,779</u>	<u>\$ 109,694,339</u>
<b>Expenses</b>										
Provider grants and other allocations	\$ 84,700,927	\$ 93,379,930	\$ 97,979,838	\$ 101,364,209	\$ 106,777,128	\$ 159,337,913	\$ 182,991,937	\$ 189,910,283	\$ 185,753,622	\$ 124,709,026
Pass-through grants	-	65,042	273,294	136,877	4,150,975	13,519,735	N/A	N/A	N/A	N/A
AB 99	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(424,388,705)
First 5 California (SRI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,137,220
Salaries and benefits	16,838,090	17,393,319	17,532,230	17,382,747	15,763,620	14,357,480	13,423,832	12,682,373	11,583,915	11,153,057
Operating services	1,087,787	1,212,116	1,122,911	1,232,687	1,172,319	1,157,290	1,346,532	1,207,259	1,159,609	1,138,850
Consultant services	905,278	1,308,527	881,090	850,154	999,806	990,724	1,216,609	956,488	549,676	331,046
Professional services	426,218	323,816	382,450	500,050	346,529	323,336	404,560	543,038	426,726	540,606
Professional development	61,235	176,217	186,902	166,975	-	-	-	-	-	-
Other expenses	86	224,934	339,524	273,951	358,346	255,453	264,892	183,974	149,116	114,384
Depreciation	309,554	300,441	302,300	312,988	309,327	316,567	322,346	353,258	452,182	471,732
Total expenses:	<u>\$ 104,329,175</u>	<u>\$ 114,384,342</u>	<u>\$ 119,000,539</u>	<u>\$ 122,220,638</u>	<u>\$ 129,878,050</u>	<u>\$ 190,258,498</u>	<u>\$ 199,970,708</u>	<u>\$ 205,836,673</u>	<u>\$ 200,074,846</u>	<u>\$ (284,792,784)</u>
<b>Change in net position</b>	<u>\$ (23,169,810)</u>	<u>\$ (25,920,744)</u>	<u>\$ (14,885,439)</u>	<u>\$ (43,260,385)</u>	<u>\$ (39,780,279)</u>	<u>\$ (82,300,987)</u>	<u>\$ (89,355,821)</u>	<u>\$ (90,845,138)</u>	<u>\$ (106,200,066)</u>	<u>\$ 394,487,123</u>

\* For FY 2018, tobacco taxes include \$3,212,942 of Prop. 56 backfill.

\*\*Partnership for Families initiative was funded by the LA County Department of Children and Family Services (DCFS), with First 5 LA acted as a pass-through entity and received reimbursement from DCFS. This initiative ended December 2016.

Los Angeles County Children and Families First – Proposition 10 Commission  
Fund Balances – General Fund  
Last Ten Fiscal Years

	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014*	2013*	2012*
<b>Fund Balance</b>										
Nonspendable	\$ 2,239,303	\$ 2,193,116	\$ 50,000	\$ 1,044,000	\$ 19,760,505	\$ 34,279,475	\$ 39,411,636	\$ 37,578,099	\$ 27,022,268	\$ 19,960,620
Committed	175,100,818	138,338,530	154,580,859	195,282,039	216,214,576	249,515,814	340,879,636	451,133,640	561,003,855	631,710,435
Assigned	59,941,864	113,226,421	141,221,211	125,245,775	128,331,556	114,665,689	78,113,279	57,716,899	64,902,466	153,086,390
Unassigned	79,140,252	84,925,739	56,257,698	57,847,860	57,832,380	61,615,198	78,223,453	79,494,722	70,816,380	16,691,138
<b>Total Fund Balance</b>	<u>\$ 316,422,237</u>	<u>\$ 338,683,806</u>	<u>\$ 352,109,768</u>	<u>\$ 379,419,674</u>	<u>\$ 422,139,017</u>	<u>\$ 460,076,176</u>	<u>\$ 536,628,004</u>	<u>\$ 625,923,360</u>	<u>\$ 723,744,969</u>	<u>\$ 821,448,583</u>

\* Fund balance presentation changed in fiscal year 2010-2011 due to the implementation of GASB 54.

Los Angeles County Children and Families First – Proposition 10 Commission  
Changes in Fund Balances – General Fund  
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Revenues</b>										
Tobacco taxes*	\$ 60,590,413	\$ 71,477,179	\$ 68,580,443	\$ 72,330,836	\$ 83,567,141	\$ 87,942,700	\$ 89,475,135	\$ 90,280,307	\$ 94,112,590	\$ 100,187,619
Prop. 56	18,215,617	18,068,329	7,482,310	-	-	-	-	-	-	-
State School Readiness	-	-	-	-	-	-	-	-	-	-
State Commission Program Funds	2,952,210	1,450,823	13,986,085	896,040	556,665	5,796,252	11,050,327	10,668,187	10,741,413	7,960,036
Medi-Cal Administrative Activities	80,319	133,955	350,924	181,859	137,599	159,549	80,799	232,408	316,369	483,325
Partnership for Families Funds*	-	-	-	-	4,334,967	9,001,152	3,701,993	-	-	-
California Department of Education	32,830	328,658	376,551	298,700	-	-	-	-	-	-
Other program revenue	531,868	320,982	123,793	1,016,683	401,956	115,000	-	-	-	-
Investment income	1,987,840	6,938,051	8,183,532	6,830,856	4,003,489	3,759,751	3,903,275	6,368,593	(3,402,141)	915,935
Net increase (decrease) in FMV of investments	(2,861,364)	1,354,275	4,898,141	(2,742,856)	(3,026,254)	1,064,007	2,152,879	-	-	-
Other income	105,414	110,899	133,321	148,135	122,208	119,100	104,072	100,320	98,880	9,048
Total revenues:	<u>\$ 81,635,147</u>	<u>\$ 100,183,151</u>	<u>\$ 104,115,100</u>	<u>\$ 78,960,253</u>	<u>\$ 90,097,771</u>	<u>\$ 107,957,511</u>	<u>\$ 110,468,480</u>	<u>\$ 107,649,815</u>	<u>\$ 101,867,110</u>	<u>\$ 109,555,963</u>
<b>Expenditures:</b>										
Provider grants and other allocations	\$ 84,700,927	\$ 93,379,930	\$ 97,979,838	\$ 101,364,209	\$ 106,777,128	\$ 159,337,913	\$ 182,991,937	\$ 189,910,283	\$ 185,753,622	\$ 124,709,026
Pass-through grants	-	65,042	273,294	136,877	4,150,975	13,519,735	N/A	N/A	N/A	N/A
AB 99	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(424,388,705)
First 5 California (SRI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,137,220
Salaries and benefits	16,639,241	17,281,687	17,532,230	17,382,747	15,763,620	14,357,480	13,414,357	12,589,911	11,502,328	11,144,681
Operating services	1,087,787	1,212,116	1,122,911	1,232,687	1,172,319	1,157,290	1,346,532	1,207,258	1,159,609	1,138,850
Consultant services	905,278	1,308,527	881,090	850,154	999,806	990,724	1,216,609	956,488	549,676	331,046
Professional services	426,218	323,816	382,450	500,050	346,529	323,336	404,560	543,038	426,726	540,606
Professional development	61,235	176,217	186,902	166,975	-	-	-	-	-	-
Other expenses	86	224,934	339,524	273,951	358,346	255,453	264,892	183,974	149,116	114,384
Capital outlay	75,944	87,095	302,300	312,988	309,327	316,567	124,949	80,471	29,648	135,298
Total expenditures:	<u>\$ 103,896,716</u>	<u>\$ 114,059,364</u>	<u>\$ 119,000,539</u>	<u>\$ 122,220,638</u>	<u>\$ 129,878,050</u>	<u>\$ 190,258,498</u>	<u>\$ 199,763,836</u>	<u>\$ 205,471,423</u>	<u>\$ 199,570,724</u>	<u>\$ (285,137,594)</u>
<b>Excess of revenues over expenditures</b>	<u>\$ (22,261,569)</u>	<u>\$ (13,876,213)</u>	<u>\$ (14,885,439)</u>	<u>\$ (43,260,385)</u>	<u>\$ (39,780,279)</u>	<u>\$ (82,300,987)</u>	<u>\$ (89,295,356)</u>	<u>\$ (97,821,608)</u>	<u>\$ (97,703,614)</u>	<u>\$ 394,693,557</u>

\*For FY 2018, tobacco taxes include \$3,212,942 of Prop. 56 backfill.

\*\*Partnership for Families initiative was funded by the LA County Department of Children and Family Services (DCFS), with First 5 LA acted as a pass-through entity and received reimbursement from DCFS. This initiative ended December 2016.

# Los Angeles County Children and Families First – Proposition 10 Commission

## First 5 California County Tax Revenue Projections for FY 2020-2021 – FY2024-2025

2016 Projected Births	2016 Projected Birthrate	2018-2019 Tax Revenue Projection	2017 Projected Births	2017 Projected Birthrate	2019-2020 Tax Revenue Projection	2018 Projected Births	2018 Projected Birthrate	2020-2021 Tax Revenue Projection	2019 Projected Births	2019 Projected Birthrate	2021-2022 Tax Revenue Projection	2020 Projected Births	2020 Projected Birthrate	2022-2023 Tax Revenue Projection	2021 Projected Births	2021 Projected Birthrate	2023-2024 Tax Revenue Projection
122,958	25.169%	\$ 72,739,589	121,413	24.987%	\$ 71,741,717	119,336	24.735%	\$ 69,271,309	117,752	24.555%	\$ 67,078,213	115,758	24.303%	64,761,175	114,079	24.070%	62,565,322

Source:  
 "First 5 California County Tax Revenue Projections for FY 2018-19 through 2023-24"  
 (Updated 5/20/2019 Utilizing DOF May Revise 2019 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1990-2040)

Los Angeles County Children and Families First – Proposition 10 Commission  
Cigarette Taxes and Other Tobacco Products Surtax Revenue  
1959-60 to 2018-19  
(In thousands of dollars)

Fiscal year	Cigarette tax			Other tobacco products surtax		
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate
2018-19	1,786,074,000	5,305,000	1,791,379,000	3,659,000	271,772,000	62.78%
2017-18	1,852,854,000	15,884,000	1,868,738,000	1,033,000	169,244,000	65.08%
2016-17	948,636,000	8,133,000 d/	956,769,000 d/	1,185,000	95,330,000	27.30%
2015-16	741,937,000	6,360,000	748,297,000	1,262,000	101,427,000	28.13%
2014-15	748,022,000	6,413,000	754,434,000	837,000	86,949,000	28.95%
2013-14	751,513,000	6,443,000	757,956,000	600,000	86,424,000	29.82%
2012-13	782,115,000	6,705,000	788,820,000	498,000	82,548,000	30.68%
2011-12	820,322,000	7,032,000	827,355,000	1,017,000	80,424,000	31.73%
2010-11	828,831,000	7,105,000	835,937,000	1,308,000	77,016,000	33.02%
2009-10	838,709,000	7,187,000	845,896,000	1,583,000	84,617,000	41.11%
2008-09	912,724,000	7,819,000	920,543,000	626,000	85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	50,037,000	52.65% e/
2000-01	1,110,692,000	9,503,000	1,120,195,000	8,741,000	52,834,000	54.89%
1999-00	1,166,880,000	9,980,000	1,176,859,000	9,413,000	66,884,000	66.50%
1998-99	841,911,000	7,206,000	849,117,000	6,808,000	42,137,000 g/	61.53% g/
1997-98	612,066,000	5,244,000	617,309,000	5,448,000	39,617,000	29.37%
1996-97	629,579,000	5,394,000	634,973,000	5,060,000	41,590,000	30.38%
1995-96	639,030,000	5,469,000	644,499,000	6,193,000	32,788,000	31.20%
1994-95	656,923,000	5,628,000	662,551,000	11,159,000	28,460,000	31.20%
1993-94	647,993,000	5,553,000	653,546,000	8,353,000	19,773,000	23.03%
1992-93	667,479,000	5,715,000	673,195,000	9,138,000	21,480,000	26.82%
1991-92	711,275,000	6,086,000	717,362,000	7,791,000	22,016,000	29.35%
1990-91	729,612,000	6,242,000	735,854,000	7,904,000	24,064,000	34.17%
1989-90	770,042,000	6,581,000	776,623,000	11,615,000	24,956,000 h/	37.47%
1988-89	499,712,000	4,273,000	503,984,000	4,968,000	9,994,000 h/	41.67%
1987-88	254,869,000	2,180,000	257,049,000	2,970,000		
1986-87	257,337,000	2,202,000	259,539,000	2,661,000		
1985-86	260,960,000	2,231,000	263,190,000	2,834,000		
1984-85	265,070,000	2,267,000	267,337,000	2,390,000		
1983-84	265,265,000	2,267,000	267,532,000	2,756,000		
1982-83	273,748,000	2,336,000	276,084,000	2,060,000		
1981-82	278,667,000	2,383,000	281,050,000	1,843,000		
1980-81	280,087,000	2,395,000	282,482,000	1,567,000		
1979-80	272,119,000	2,327,000	274,446,000	1,645,000		
1978-79	270,658,000	2,315,000	272,973,000	1,408,000		
1977-78	275,042,000	2,352,000	277,394,000	1,239,000		
1976-77	270,502,000	2,315,000	272,817,000	832,000		
1975-76	269,852,000	2,309,000	272,161,000	927,000		
1974-75	264,182,000	2,262,000	266,444,000	745,000		
1973-74	259,738,000	2,222,000	261,960,000	632,000		
1972-73	253,089,000	2,167,000	255,256,000	626,000		
1971-72	248,398,000	2,127,000	250,525,000	677,000		
1970-71	240,372,000	2,058,000	242,430,000	552,000		

Fiscal year	Cigarette tax			Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue Rate
1969-70	237,220,000	2,032,000	239,253,000	455,000	
1968-69	238,836,000	2,046,000	240,882,000	492,000	
1967-68	208,125,000	1,862,000	209,987,000	328,000	
1966-67	75,659,000	1,543,000	77,202,000	129,000	
1965-66	74,880,000	1,528,000	76,407,000	88,000	
1964-65	74,487,000	1,520,000	76,007,000	61,000	
1963-64	71,530,000	1,459,000	72,989,000	71,000	
1962-63	70,829,000	1,445,000	72,274,000	79,000	
1961-62	68,203,000	1,390,000	69,593,000	47,000	
1960-61	66,051,000	1,675,000 l/	67,726,000	76,000	
1959-60	61,791,000	767,000 m/	62,558,000	67,000	

Oversight of this information has been transferred to the California Department of Tax and Fee Administration. Table reflects latest update on cigarette taxes and other tobacco products revenue released for the fiscal year ending June 30, 2019.

#### Footnotes

- a. Net of refunds for tax indicia on cigarettes that become unfit for use (See Refunds).
- b. A discount of .85 percent of gross value of tax indicia is granted to distributors for affixing the stamps. From July 1, 1960, until August 1, 1967, the discount rate was 2 percent.
- c. Includes sales of indicia purchased on credit. Effective July 16, 1961, distributors have been able to purchase tax indicia on credit.
- d. Effective April 1, 2017, the overall tax rate on cigarettes was increased from 87 cents to \$2.87 per pack.
- e. From July 1, 2001, through September 9, 2001, the surtax rate on smokeless tobacco ranged from 131 percent for moist snuff to 490 percent for chewing tobacco. Effective September 10, 2001, the surtax rate on smokeless tobacco was lowered to 52.65 percent.
- f. Effective January 1, 1999, the overall tax rate on cigarettes was increased from 37 cents to 87 cents per pack under voter-approved Proposition 10. The additional 50-cent-per-pack tax was imposed to raise funds for early childhood development programs. Excludes \$87,978,766 in 1998-99 from the floor stocks taxes for both cigarettes and other tobacco products levied on January 1, 1999.
- g. From July 1, 1998, through December 31, 1998, the surtax rate was 26.17 percent for other tobacco products. Effective January 1, 1999, the new surtax imposed under Proposition 10 raised the combined surtax rate to 61.53 percent for other tobacco products. The new surtax is equivalent (in terms of the wholesale costs of other tobacco products) to a 50-cent-per-pack tax on cigarettes.
- h. Effective January 1, 1994, the overall tax rate on cigarettes was increased from 35 cents to 37 cents per pack. The additional 2-cent-per-pack tax was imposed to raise funds for breast cancer research and education.
- i. Effective January 1, 1989, an additional 25-cent-per-pack surtax was imposed on cigarettes and a new 41.67 percent surtax was imposed on other tobacco products. Excludes \$57,927,856 in 1988-89 and \$595,000 in 1989-90 from the floor stocks tax levied on January 1, 1989.
- j. Effective August 1, 1967, the tax rate was increased from 3 cents to 7 cents per pack. On October 1, 1967, the rate was further increased to 10 cents per pack, with the stipulation that 30 percent of the tax be allocated to cities and counties. Includes \$6,515,209 from the 4-cent-per-pack floor stocks tax levied on August 1, 1967; and \$4,889,485 from the 3-cent-per-pack floor stocks tax imposed October 1, 1967.
- k. Refunds made for distributors' discounts in the 1960-61 fiscal year on purchases made in the 1959-60 fiscal year have been deducted. These refunds amounted to \$324,000.
- l. Effective July 1, 1960, a discount was allowed at the time tax indicia were purchased.
- m. Includes \$2,673,048 from the 3-cent-per-pack floor stocks tax imposed July 1, 1959; and also includes the amount of distributors' discounts which were refunded after purchase of indicia. During July and August of 1959, the tax was collected by invoice and no discount was allowed on these collections of \$8,123,700, nor on the \$2,673,048 tax on floor stocks.

# Los Angeles County Children and Families First – Proposition 10 Commission

## Demographic Data and Economic Statistic

### Demographic Data

	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)
Total Population	9,902,197	9,990,748	10,067,904	10,126,977	10,181,066	10,215,207	10,261,736	10,278,836	10,324,698	10,257,557
White	2,743,604	2,746,860	2,747,854	2,745,389	2,742,057	2,734,611	2,732,047	2,722,365	2,724,168	2,637,825
Black	827,192	830,806	833,290	834,117	833,564	831,614	831,069	828,565	832,355	833,261
American Indian	19,581	19,753	19,859	19,959	20,027	20,093	20,175	20,229	20,410	29,994
Asian	1,344,135	1,354,023	1,364,296	1,372,821	1,381,892	1,385,913	1,393,055	1,395,155	1,395,377	1,646,804
Native Hawaiian & Other Pacific Islander	23,398	23,705	23,919	24,085	24,189	24,289	24,403	24,476	24,597	23,806
Hispanic or Latino	4,759,731	4,827,179	4,886,304	4,934,442	4,979,470	5,015,652	5,054,516	5,078,483	5,114,541	4,877,565
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Multi-race	184,556	188,422	192,382	196,164	199,867	203,035	206,471	209,563	209,563	208,302
Female	5,019,305	5,062,122	5,099,417	5,127,633	5,155,652	5,175,095	5,201,009	5,210,549	5,232,284	5,194,651
Male	4,882,892	4,928,626	4,968,487	4,999,344	5,025,414	5,040,112	5,060,727	5,068,287	5,092,414	5,062,906
Under 5 years	649,434	648,278	646,688	646,206	645,034	634,158	624,988	607,092	587,690	568,989
5-9 years	631,437	638,148	643,942	644,459	643,497	644,771	640,576	636,547	637,200	634,122
10-14 years	662,373	651,743	643,751	637,498	632,422	629,523	634,291	637,463	638,667	632,785
15-19 years	766,806	767,285	755,305	742,241	727,556	713,861	697,383	692,400	691,590	682,645
20-24 years	752,195	764,271	783,178	797,897	807,553	810,493	802,622	786,678	773,665	771,182
25-29 years	740,780	722,040	700,712	681,244	668,489	666,490	676,732	691,365	706,231	705,970
30-39 years	1,429,129	1,437,704	1,447,018	1,450,724	1,447,331	1,440,568	1,431,051	1,413,067	1,397,968	1,423,634
40-49 years	1,428,340	1,432,793	1,429,492	1,423,090	1,419,677	1,414,860	1,413,542	1,406,380	1,400,493	1,351,616
50-59 years	1,257,742	1,285,111	1,311,668	1,330,539	1,343,517	1,348,247	1,354,647	1,355,259	1,362,848	1,333,654
60-69 years	821,450	859,004	896,157	935,625	979,320	1,016,812	1,048,181	1,075,050	1,104,938	1,100,157
70-79 years	449,308	465,003	484,287	504,232	525,638	546,827	579,910	611,339	643,520	657,221
80+ years	313,203	319,368	325,706	333,222	341,032	348,597	357,813	366,196	379,888	395,582

Source:

(1) State of California, Department of Finance, Population Projections for California and Its Counties 2010-2060. Sacramento, CA, January 2013.

### Economic Data

	2011	2012	2013	2014	2015	2016	2017	2018	2019**	2020**
LA County Personal Income	454,935,533	486,733,508	483,578,594	514,516,564	549,073,019	563,907,868	593,741,110	628,808,732	653,482,910	N/A
LA County Per Capita Personal Income	46,007	48,900	48,283	51,111	54,298	55,624	58,419	62,224	65,094	N/A
California Personal Income	1,727,433,579	1,838,567,162	1,861,956,514	1,986,025,976	2,133,664,158	2,212,691,221	2,303,870,496	2,475,727,500	2,632,279,800	2,814,010,800
California Per Capita Personal Income	45,854	48,359	48,555	51,317	54,664	56,374	58,272	62,586	66,745	71,480
United States Personal Income	13,233,436,000	13,904,485,000	14,068,960,000	14,811,388	15,547,661,000	15,913,777,000	16,413,550,863	17,572,929,100	18,551,503,000	19,690,964,000
United States Per Capita Personal Income	42,463	44,283	44,489	46,486	48,429	49,204	50,392	53,712	49,763	52,992

Source:

Bureau of Economic Analysis: <http://www.bea.gov/ITable/ITable.cfm?reqid=70&step=1&isuri=1&acrdn=4> (Tables SA1-3 and CA1-3)

Personal income data are shown in thousands of dollars; per capita income data are shown in dollars.

\*\*2020 economic data is not yet available for Los Angeles County

Data provided reflects the most recent updates released by the Bureau of Economic Analysis.

Los Angeles County Children and Families First – Proposition 10 Commission  
Unemployment Rate  
2011 - 2020

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Area	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
United States	8.1%	3.7%	3.7%	4.4%	4.3%	5.3%	6.2%	7.4%	8.1%	8.9%
California	10.1%	4.0%	4.2%	4.8%	4.7%	6.2%	7.5%	8.9%	10.4%	11.8%
Los Angeles County	12.8%	4.0%	4.6%	4.7%	4.6%	6.7%	8.3%	9.9%	10.9%	12.3%

Source:

Bureau of Labor Statistics (<http://www.bls.gov/>; annual averages)

Los Angeles County Children and Families First – Proposition 10 Commission  
Ten Largest Industries

Industry	June 30, 2020			June 30, 2011		
	Number of Employees	Rank	Percentage of Total	Number of Employees	Rank	Percentage of Total
Educational & Health Services	799,800	1	19.47%	670,900	2	16.96%
Trade, Transportation & Utilities	777,000	2	18.92%	749,600	1	18.95%
Professional & Business Services	590,100	3	14.37%	530,600	4	13.41%
Government	579,300	4	14.10%	581,700	3	14.70%
Leisure & Hospitality	378,600	5	9.22%	396,600	5	10.02%
Manufacturing	314,700	6	7.66%	376,100	6	9.51%
Financial Activities	218,600	7	5.32%	210,300	7	5.32%
Information	178,400	8	4.34%	190,900	8	4.83%
Other Services	146,100	9	3.56%	104,100	10	2.63%
Construction	118,900	10	2.89%	137,000	9	3.46%
Sub-total Ten Largest Industries	4,101,500		99.86%	3,947,800		99.78%
All Other Industries	5,700		0.14%	8,500		0.22%
<b>Total Industries</b>	<b>4,107,200</b>		<b>100.00%</b>	<b>3,956,300</b>		<b>100.00%</b>

Note:

(1) Employment by industry is presented because employment data for individual employers was unavailable.

Source:

County of Los Angeles Comprehensive Annual Financial Report for the year ended June 30, 2020:

<http://auditor.lacounty.gov/wp-content/uploads/2020/01/CAFR-FY-2019-2020.pdf>

Capital Assets (Land, Building, Furniture & Equipment) are used by the Commission for general operating and administrative function. The Commission has only one (1) centrally located building supported by other capital assets.

# Los Angeles County Children and Families First – Proposition 10 Commission

Authorized Positions by Function

2013 - 2021

Functional Area	2021 (9)	2020 (8)	2019 (7)	2018 (6)	2017 (5)	2016 (4)	2015 (3)	2014 (2)	2013 (1)
Executive	8	8	8	7	8	5	4.5	5.5	3
Administration	32	32	32	30	38	37.5	34.5	34	35
Programs	108	108	108	111	107	106	101.5	91.5	92
<b>Total</b>	<b>148</b>	<b>148</b>	<b>148</b>	<b>148</b>	<b>153</b>	<b>148.5</b>	<b>140.5</b>	<b>131</b>	<b>130</b>

Note:

(1) Data are budgeted authorized positions approved as part of the fiscal year budget. Prior to FY 2010-11, positions were reported by department only, and not according to functional area.

Source:

(1) First 5 LA Approved FY 2012-13 Operating Budget

(2) First 5 LA Approved FY 2013-14 Operating Budget

(3) First 5 LA Approved FY 2014-15 Operating Budget

(4) First 5 LA Approved FY 2015-16 Operating Budget

(5) First 5 LA Approved FY 2016-17 Operating Budget

(6) First 5 LA Approved FY 2017-18 Operating Budget

(7) First 5 LA Approved FY 2018-19 Operating Budget

(8) First 5 LA Approved FY 2019-20 Operating Budget

(9) First 5 LA Approved FY 2020-21 Operating Budget



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Commissioners  
Los Angeles County Children and Families  
First – Proposition 10 Commission  
Los Angeles, California

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 the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 14, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
October 14, 2021



## Independent Auditor's Report on State Compliance

Board of Commissioners  
Los Angeles County Children and Families  
First – Proposition 10 Commission  
Los Angeles, California

### Compliance

We have audited the Los Angeles County Children and Families First – Proposition 10 Commission's (Commission), a component unit of the County of Los Angeles, California, compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2021.

### Management's Responsibility

Management is responsible for compliance with the requirements of the laws and regulations applicable to the California Children and Families Act.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit.

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 State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission's compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

Description	Audit Guide Procedures	Procedures Performed
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict-of-Interest	3	Yes
County Ordinance	4	Yes
Long-range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefit Policies	2	Yes

### Opinion

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2021.

### Purpose of Report

The purpose of this report on compliance is solely to describe the scope of our testing over compliance and the results of that testing based on the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
October 14, 2021