

Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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

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October 13, 2022

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, 2022, 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, 2022. 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 more than \$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.

ADVANCING OUR STRATEGIC DIRECTION

In Fiscal Year 2021-2022, First 5 LA completed its second 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 5 in Los Angeles County. Consistent with

COMMISSIONERS

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Judy Abdo <i>Vice Chair</i>		

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Karla Pleitez Howell
Robert Byrd, Psy.D
Deanne Tilton

EXECUTIVE DIRECTOR

Kim Belshé

EXECUTIVE VICE PRESIDENT

John A. Wagner

A PUBLIC ENTITY

the Commission-approved strategic direction, First 5 LA has continued 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. Our four strategic priority areas remain:

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.

Building on these priorities, First 5 LA will be focusing on integrated “whole child” advocacy strategies and the pursuit to leverage learning from our programmatic efforts to inform and drive state policy change. Examples here include family-strengthening home visiting and early identification and intervention.

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 will continue to be refined and responsive to the communities we serve in the years ahead.

ORGANIZATIONAL HIGHLIGHTS

- ***Strengthening County child- and family-serving systems.*** First 5 LA is clear that we are not the agent for scale of sustainability. Instead, we partner with County agency systems leaders to strengthen and support their efforts to support more accessible, integrated, sustainable and higher quality child- and family-serving systems. The Commission has pursued investments to build upon a number of critical partnerships with County agencies to catalyze coordination across diverse stakeholders, strengthen cross-sector collaboration, and develop and sustain county-wide systems that serve, support, and strengthen children and families. Examples include LA County home visiting and early care and education systems building.
- ***Implementing our Strategic Plan, adapting to our context.*** As a systems change leader and funder, First 5 LA is attentive to the evolving context in which our work is undertaken. First 5 LA recognizes that addressing the COVID-19 pandemic and contributing to efforts to eradicate racial disparities and systemic inequities are not new, additive pieces to our work; rather, they represent the context in which we are doing work, and our Strategic Plan will guide our response. The budgetary priorities in FY 2021-22 and in the year ahead speak directly to the opportunities

we see for First 5 LA to adapt to our context and contribute to an LA County that is just, inclusive, and equitable.

- ***Living our values of diversity, equity, and inclusion.*** 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.

First 5 LA continues its work with SEED Collaborative and its engagement of internal staff through our DEI Governance Board. DEI continues to inform and center our work, can be seen in efforts to close racial disparities in home visiting, our evolving early care and education strategic focus on family child care and the centrality of DEI in First 5 LA's more focused policy agenda. We recognize that the road ahead to live into our DEI value and investment guidelines will continue to take time and effort; and we understand this work is critical to how First 5 LA undertakes its work toward the safe, equitable and just future we envision for our County's youngest children.

- ***First 5 LA staff as impact multipliers.*** While attentive to our evolving fiscal context, we recognize we are a resource-rich organization, in terms of our programmatic funding as well as our human resources – each member of the First 5 LA team. The budget recognizes our staff team as one of First 5 LA's most significant investments in systems change and aligns operational expenditures with the functionality required to successfully execute against our Strategic Plan.
- ***Energizing advocacy across our work, diverse partners, and Network of First 5s.*** First 5 LA plays an 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 organization recommends continued support of such critical advocacy investments as the Early Care and Education Coalition, the Association of First 5s, and our Sacramento-based advocates. Focus will continue 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, First 5 LA will launch the Childhood Policy and Advocacy Fund, aligned to the more holistic child and family goals outline in the Strategic Plan.
- ***Advancing the sustainability of First 5s' early childhood development priorities.*** Consistent with First 5 LA's investment guidelines, sustainability strategies are embedded within all of our work – a recognition by the Board of the predicted and real decline in Proposition 10 revenue. First 5 LA's fiscal realities require that we bring a comprehensive approach to sustainability, including operating within our fiscal discipline, pursuing new revenue and fund leveraging strategies, and maximizing opportunities to co-invest with partners.
- ***Principal work concludes 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 have completed significant progress in the Board-approved Capital Improvement Plan (CIP), completing phase 1 milestones and upgrades to the building. In FY 2021-2022, First 5 LA's general contractor for the CIP, Dewberry Design-Builders, Inc., led the completion of significant steps, including exterior and interior renovations of the existing office building's three floors, with specific attention to rooftop replacement, HVAC, solar panel installation and site security improvements. While the timeline for this project extends into FY 2022-23, the value for the physical space has already been significantly impacted and the improvements are already being utilized by the First

5 LA team, with a continued goal of maximizing the health and safety of our employees and the public.

LOOKING AHEAD

- ***Long term financial planning.*** First 5 LA's approach to sustainability requires that we take a multi-year view beyond the budget year. Towards that end, the Board-approved Long Term Financial Plan (LTFP) provides financial guardrails to focus and discipline First 5 LA's expenditures over the course of the 2020-2028 Strategic Plan. The LTFP represents a framework for multi-year financial planning to manage continued reduction in tobacco revenue. By taking proactive measures grounded in a longer view, First 5 LA is able to responsibly plan for the future and mitigate the need for dramatic and disruptive reductions in the future.
- ***Continued refinement and implementation of our 2020-2028 Strategic Plan.*** The FY 2022-2023 budget represents resources that will support year three implementation of the 2020-2028 Strategic Plan. Completion of year two and the formation of the budget for year three 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.

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 during 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

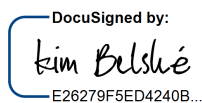
Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to First 5 LA for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the 14th consecutive year that First 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:

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Kim Belshé
Executive Director

KB:ro

FIRST 5 LA

Commissioners

Sheila James Kuehl, Los Angeles County Supervisor, Chair
Judy Abdo, Vice Chair
Barbara Ferrer, Ph.D., M.P.H., M.Ed.
Astrid Heger, M.D.
Yvette Martinez
Maricela Ramirez
Carol Sigala
Romalis J. Taylor

Ex-Officio Commissioners

Robert Byrd
Karla Pleitéz Howell, J.D.
Jacquelyn McCroskey
Deanne Tilton Durfee

Alternate Commissioners

Luis Bautista
Victor Manalo, Ph.D.
Kristin McGuire
Frank Ramos
Vivian Rescalvo
Sylvia S. Swilley, M.D.

Executive Director

Kim Belshé

Executive Vice President

John A. Wagner

Chief Operating Officer

Teofilo “JR” Nino

Chief of Staff

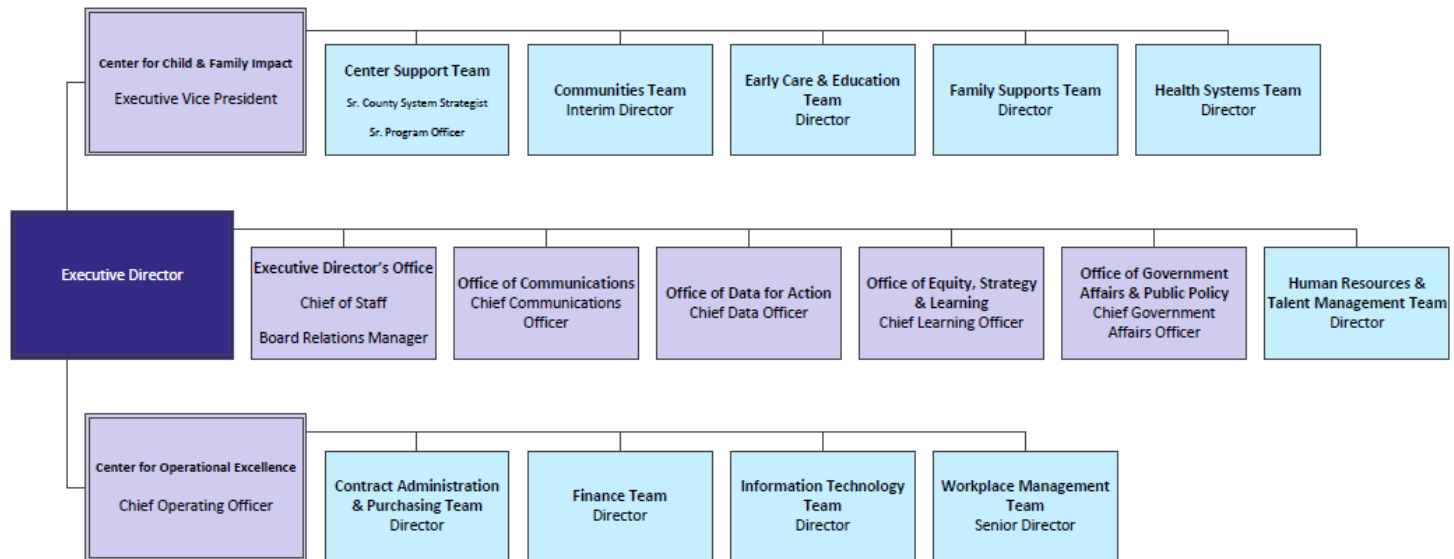
Peter Barth

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
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
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for Excellence
in Financial
Reporting

Presented to

**First 5 LA
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

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 Audit of the Financial Statements

Opinions

We have audited 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, 2022 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, 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.

Supplementary 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 Schedule of First 5 California Funding is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2022, 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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
October 13, 2022

**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, 2022. 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 \$78.4 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 \$77.4 million, reflecting a 4.8% decrease of \$3.9 million from \$81.3 million in FY 2020-21.
- Commission expenses totaled \$94.4 million in FY 2021-22, representing an 9.5% decrease of \$10 million from \$104.3 million in FY 2020-21.
- The Commission’s liabilities decreased from \$22.9 million in FY 2020-21 to \$21.5 million in FY 2021-22, reflecting a total decrease of approximately \$1.4 million, or 6.1%.
- The Commission’s total net position decreased from \$326.1 million in FY 2020-21 to \$300.6 million in FY 2021-22, a decline of approximately \$25.5 million, or 7.8%.

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 2021-22 with FY 2020-21:

	FY 2021-22	FY 2020-21	Percent Increase (Decrease)	Increase (Decrease)
Assets:				
Current and other assets	\$309,181,599	\$338,580,128	-8.68%	(\$29,398,529)
Capital assets	12,880,231	10,394,423	23.91%	2,485,808
Total assets	\$322,061,830	\$348,974,551	-7.71%	(\$26,912,721)
Liabilities:				
Long-term liabilities	\$935,048	\$806,802	15.90%	\$128,246
Other liabilities	20,560,008	22,078,610	-6.88%	(1,518,602)
Total liabilities	\$21,495,056	\$22,885,412	-6.08%	(\$1,390,356)
Net Position:				
Unrestricted	\$287,686,543	\$315,694,716	-8.87%	(\$28,008,173)
Net investment in capital assets	12,880,231	10,394,423	23.91%	2,485,808
Total net position	\$300,566,774	\$326,089,139	-7.83%	(\$25,522,365)
Total liabilities and net position	\$322,061,830	\$348,974,551	-7.71%	(\$26,912,721)

The Commission's FY 2021-22 total assets of \$322.1 million represent a decrease of \$26.9 million, or a 7.7% decline, compared with the prior year. Of this total, the decrease in current and other assets is approximately \$29.4 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 \$25.5 million.

The \$2.5 million increase in capital assets is a result of the organization's execution of its Capital Improvement Project to provide physical improvements to the 750 N. Alameda Street building. The depreciation expense for FY 2021-22 was \$399,451. 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 2021-22 with FY 2020-21:

	FY 2021-22	FY 2020-21	Percent Increase (Decrease)	Increase (Decrease)
Revenues:				
Program revenues				
Tobacco taxes	\$55,265,755	\$60,590,413	-8.79%	(\$5,324,658)
Prop 56	18,534,434	18,215,617	1.75%	318,817
State Commission program funds	3,574,885	2,469,410	44.77%	1,105,475
Medi-Cal Administrative Activities	189,125	80,319	135.47%	108,806
California Department of Education	0	32,830	-100.00%	(32,830)
Other program revenue	811,368	522,406	55.31%	288,962
Total program revenues	<u>\$78,375,567</u>	<u>\$81,910,995</u>	<u>-4.32%</u>	<u>(\$3,535,428)</u>
General revenues				
Investment income	\$1,629,048	\$1,987,840	-18.05%	(\$358,792)
Net Increase (decrease) in fair value of Investments	(11,173,321)	(2,861,364)	290.49%	(\$8,311,957)
Other general income	18,000	121,894	-85.23%	(\$103,894)
Total general revenues	<u>(9,526,273)</u>	<u>(751,630)</u>	<u>1167.42%</u>	<u>(8,774,643)</u>
Total revenues	<u>\$68,849,294</u>	<u>\$81,159,365</u>	<u>-15.17%</u>	<u>(\$12,310,071)</u>
Expenses:				
Provider grants and other allocations	\$75,838,658	\$84,700,927	-10.46%	(\$8,862,269)
Salaries and benefits	15,131,025	16,838,090	-10.14%	(1,707,065)
Operating services	1,217,057	1,087,787	11.88%	129,270
Consultant services	1,343,030	905,278	48.36%	437,752
Professional services	327,245	426,218	-23.22%	(98,973)
Professional development	113,106	61,235	84.71%	51,871
Other expenses	2,087	86	2326.74%	2,001
Depreciation	399,451	309,554	29.04%	89,897
Total expenses	<u>\$94,371,659</u>	<u>\$104,329,175</u>	<u>-9.54%</u>	<u>(\$9,957,516)</u>
Change in net position:	<u>(25,522,365)</u>	<u>(23,169,810)</u>	10.15%	(2,352,555)
Net position – beginning	<u>326,089,139</u>	<u>349,258,949</u>	<u>-6.63%</u>	<u>(23,169,810)</u>
Net position – ending	<u>\$300,566,774</u>	<u>\$326,089,139</u>	<u>-7.83%</u>	<u>(\$25,522,365)</u>

Revenues

The Commission received a total of roughly \$68.8 million in revenues for FY 2021-22, reflecting a decrease of \$12.3 million, or 15.2% compared with the prior year's total revenues of \$81.2 million. The overall changes in revenue are due to the following:

Tobacco Tax

Tobacco tax revenue decreased from \$60.6 million in FY 2020-21 to \$55.3 million in FY 2021-22, a decrease of \$5.3 million, or 8.8%. Revenue decreased due to a decline in 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 2021-22 by \$18.5 million compared to \$18.2 million in the prior fiscal year. The backfill is received the following fiscal year and the actual amount represented here is for FY 2020-21.

State Commission Program Funds

State Commission program funds increased from \$2.5 million in FY 2020-21 to \$3.6 million in FY 2021-22, an increase of \$1.1 million. This increase was primarily due to several programs from First 5 CA including IMPACT and Hub funds, Dual Language Learner and Home Visiting Coordination Funds.

Medi-Cal Administrative Activities

The Medi-Cal Administrative Activities (MAA) program increased from \$80,319 in FY 2020-21 to \$189,125 in FY 2021-22. 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 increase is a result of more timely 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.

Other Program Revenue

Other Program revenue increased from \$522,406 in FY 2020-21 to \$811,368 in FY 2021-22. This revenue includes grants from Blue Shield of California, Los Angeles County of Education and Aurrera Health Group for ACEs Aware program.

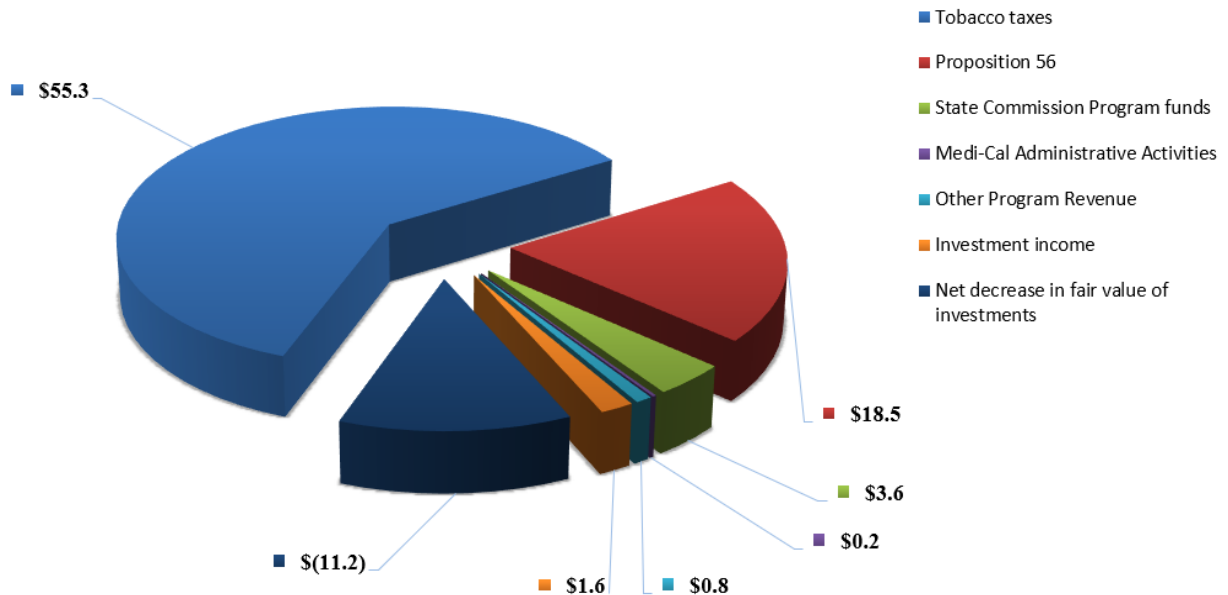
Investment Income

The Commission earned \$1.63 million of investment income in FY 2021-22, which was a decrease of \$358,792, or approximately 18%, compared with the \$1.99 million earned in the prior year. While the overall rate of return for FY21-22 was 0.65%, an increase of .07% over the prior year, lower average fund balances in our investments yielded lower overall interest income.

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 decrease was \$11.17 million, compared to the \$2.86 million unrealized loss in FY 2020-21. This significant decrease can be attributed to ongoing external macroeconomic factors related to low interest rates and overall economic health at this point-in-time.

**Revenues
June 30, 2022
(In Millions)**



Expenses

The Commission recognized expenses of \$94.4 million in FY 2021-22 compared with \$104.3 million in FY 2020-21, a decrease of \$10 million, or 9.5%. The \$10 million net decrease in overall expenditures encompasses the following from FY 2021-22:

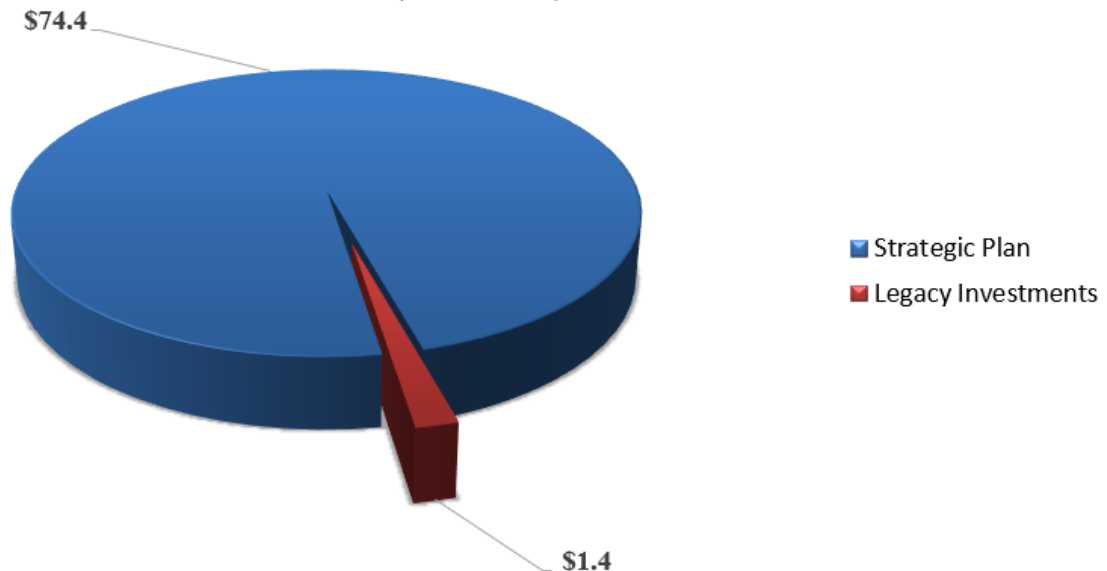
Provider Grants and Other Allocations

The Commission experienced a decrease of \$8.9 million, or 10.5%, expending approximately \$75.8 million in FY 2021-22 compared to \$84.7 million in FY 2020-21 for “Provider grants and other allocations”. The net decrease is the result of refinement of the Long-Term Financial Plan along with ongoing effects of the 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 2021-22 marks the second year of the eight-year 2020-2028 Strategic Plan. Roughly \$75.8 million was expended in FY 2021-22, a decrease of approximately \$8.9 million as compared to FY 2020-21. The primary driver for the decrease was greater alignment to the 2020-2028 Strategic Plan and First 5 LA’s adapted organizational structure which resulted in a restructuring of the organizations sectors, staff reductions and ramp down of numerous projects. Additionally, the decrease aligns with the Long-Term Financial Plan and annual spending limits, reflective of an annual decline in spending. Spending was reduced within the areas of Family Supports, Communities, Early Care and Education (ECE), Office of Communications, and Office of Data for Action, in alignment with the long-term spending plan. In addition, many of the activities within the former Strategic Partnerships, Community Relations, and Integration & Learning departments were ramped down and sunsetted.

- **Legacy Investments:** This category includes existing multi-year funding scheduled to conclude or be realigned with the 2020-2028 Strategic Plan. Approximately \$1.4 million was expended in FY 2021-22 which reflected a \$1.2 million 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, 2022
(In Millions)



Salaries and Benefits

Salaries and Benefits decreased from FY 2020-21 by \$1.7 million or 10.1%. This was primarily due to vacancy savings and a full year of savings resulting from the reorganization and restructure during the fall of 2020 which eliminated selected positions and reduced the overall full-time equivalent positions.

Operating Services

Operating Services increased by \$129,270 or 11.9% from the prior year due to inflationary and macroeconomic factors affecting general operating costs, particularly in facilities, maintenance and utilities. Additionally in 2022, some staff were working in the office either in a hybrid or full-time capacity, increasing facility usage and associated costs.

Consultant Services

The Commission recorded \$1.3 million in expenses for Consultant services in FY 2021-22, a 48.4% increase from FY 2020-21. The increase is due to the engagement of firms and individuals for assistance in ongoing DEI work, and temporary labor support for IT services and building management services.

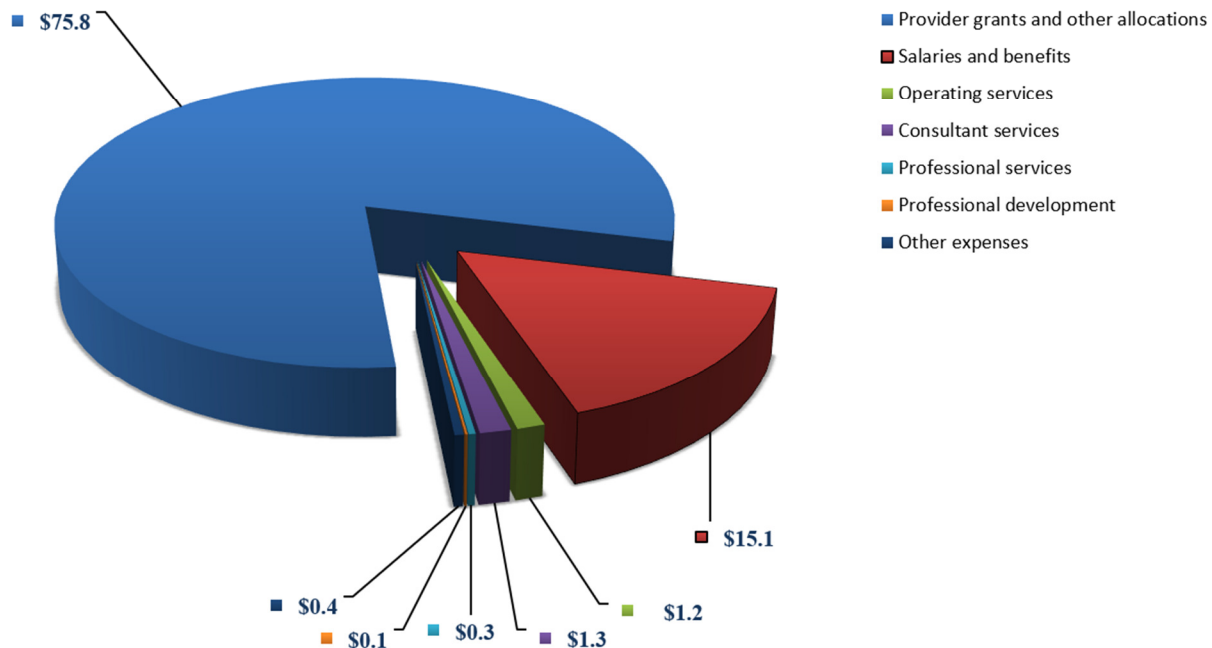
Professional Services

Professional services decreased from FY 2020-21 by \$98,973 or 23.2%. The decrease is largely due to a decline in expenses for legal, audit and staff recruitment services.

Professional Development

Professional development increased in FY 2021-22 by \$51,871 or 84.7% from FY 2020-21. The increase is primarily due to relaxation of COVID-19 pandemic related travel restrictions and the return of some on-site conference opportunities throughout the fiscal year.

Program and Operating Expenses June 30, 2022 (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.

At the end of FY 2021-22, the Commission's general fund reported a total ending fund balance of \$287.8 million, a decrease of \$28.6 million, or 9.0% in comparison with the prior fiscal year balance of \$316.4 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 2021-22 was \$55.3 million of tobacco tax revenue and \$18.5 million of Proposition 56 backfill. The total combined amount of \$73.8 million was approximately \$2.3 million or 3.1% lower than the anticipated amount of \$76.1 million. The original estimate of \$76.1 million was based on data provided by the California Department of Tax and Fee Administration, updated June 2021.

Other Program Revenue

Other program revenue recorded for FY 2021-22 was \$811,368 which was in line with expectations estimated in the Long-Term Financial Plan approved by the Commission in June of 2021. Revenue recorded includes funds from Aurrera Health Group for ACEs Aware, Blue Shield of California and from Los Angeles County Office of Education for the Quality Improvement System project.

Investment Income

Investment income of \$1.63 million was earned in FY 2021-22. The monthly average return of 0.65% is lower than the 1.2% anticipated and included in the Long-Term Financial Projection approved by the Commission in June 2022.

Original Expenditure Budget vs. Final Expenditure Budget

In March 2022, the Commission approved an overall reduction of \$3.9 million or 3.4% to the original approved \$114.3 million of the FY 2021-22 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 downward during the year by \$3.9 million or 4.2%. In March 2022, the Commission approved a mid-year budget revision adjusting Early Care & Education systems downward by \$159,000, Health Systems increased by \$10,000, the Office of Government Affairs & Public Policy reduction of \$55,750, Office of Communication reduction of \$700,000, Office of Data for Action reduction of \$717,600, Emerging Opportunities Fund reduction of \$1,300,000, and Legacy Investments reduction of \$967,000. The downward adjustment to Early Care & Education systems is due to decreases in the Kindergarten Readiness Assessment (KRA) program. The upward adjustment to the Health Systems budget is due to the receipt of external funding from the Los Angeles County Department of Public Health (LACDPH) and corresponding activities and costs related to the African American Infant and Maternal Mortality (AAIMM) Strategic Communications initiative. The net downward adjustment to the Office of Government Affairs & Public Policy area of the budget is largely due to the ongoing pandemic and state of emergency which has impacted the Conference Funding to Advance the Field of Early Childhood Development's proposed support for in-person conferences. The total downward adjustment to the Office of Communications is the result of a downward adjustment to Strategic Marketing due to the ongoing COVID restrictions which has resulted in fewer in-person marketing events and printing costs and more integrated digital marketing, as well as a delay in a proposed strategic partnership with LA Partnership for Early Childhood Investment (PECI) under the Strategic Communications Partnership. The net downward adjustment to the Office of Data for Action is an aggregate result of reductions to several programs budgets including Data Policies & Practices, WIC Data Mining Research Partnership, Assisting and Supporting Staff with Information for Specialized Tasks, and Impact Framework. The reduction to the Emerging Opportunities Fund is based on a year-to-date spending and anticipated need for the remainder of the fiscal year. In Legacy Investments, the reduction was due to the grantee

acquiring additional funding for the project resulting in a downward adjustment to the First 5 LA Little by Little/One Step Ahead Program budget for FY 21-22.

Operating Services

This category includes several line-item adjustments, both upward and downward, with a total net decrease of \$8,500. Adjustments include a decrease to both Utilities and Building Repairs and Maintenance line items within the Facilities Team Budget, based on reduced anticipated need compared to the original budget. These downward adjustments will be used to offset an increase in Consultant Services. Additional decreases include Outside Printing and Publishing (\$500), Office Supplies (\$1,000), Equipment Rents and Leases (\$1,000), and Internal Meetings (\$14,500). Internal meetings were primarily being driven down by the Communities Team due to far fewer in-person meetings than originally planned. These decreases are offset by increases to Offsite Storage (\$2,500) which was adjusted to align with the revised anticipated needs. The most notable upward adjustments were increases to Hardware and Software Maintenance which is the result of the Consolidation of all (enterprise wide) Adobe Acrobat Pro licenses (\$4,000), Next Request - Software to track Public Records (\$5,000), \$12,000 increase in Blackbaud grantmaking license costs, and increase in miscellaneous costs (\$10,000) to support and enhance the return to office, such as hardware requirements for conference rooms to facilitate remote/in-person meetings.

Consultant Services

This category includes adjustments across multiple departments, resulting in a net overall increase of \$11,000. However, the increase is primarily driven by an increase in the Facilities Team's Other Professional Fees budget. The additional resources, repurposed from Operating Services lower than anticipated spending, were used toward the Facilities Manager's status change from part-time to full-time beginning September 2021 to support the building improvements and renovations. Funds were also adjusted downward at mid-year by \$17,000, driven primarily by a decrease in the Early Care and Education Department budget from which a budget for offsite retreat was eliminated.

Professional Services

This category reflects a net upward adjustment in costs of \$49,000 primarily the result of an increase to Web-Based Services (\$50,000) in the Human Resources & Talent Management (HRTM) Team budget. HRTM is looking into an ADP module for tracking COVID-19 vaccination records for First 5 LA employees, in compliance with Federal mandate. This increase is offset by decreases in other areas that net \$1,000, resulting in an overall \$49,000 increase.

Travel and Meetings

This category includes adjustments to many of the Team/Office/Center travel budgets in response to the ongoing pandemic. There was an overall net decrease in the Travel cost category by \$33,000 as travel in the second half of the fiscal year was affected by the occurrence of the more recent Omicron COVID-19 variant.

Professional Development

This category includes Training Materials & Supplies, Internal Training, Leadership Programs, Conference Registrations and External Education/Training. Downward adjustments were made to Training Materials & Supplies, Internal Training, Leadership Programs, and External Education/Training due to ongoing pandemic challenges. The Family Supports and the Health Systems teams both had increases in their Conference Registration line items due to participation in virtual seminars, conferences, and events. CAP reduced their overall Professional Development line item by \$4,000 and repurposed those resources to Consultant Fees. The overall adjustments to these line items resulted in a net decrease of \$2,200.

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 2021-22 was approximately \$34.1 million. The primary overarching factor contributing to the FY 2021-22 budget to actual variance was the ongoing COVID-19 pandemic and the challenges associated with rethinking our approach to services and engagement. In addition, more time was required to establish the needed partnerships and 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 total variance of \$2,285,545. This is due to a combination of regular employee turnover during this fiscal year and vacant positions that were budgeted but not immediately filled.

General Operating Expenditures were less than final budget by \$614,667. Below is an analysis of the significant activities comprising this variance:

Office Supplies

Office Supplies were lower than budgeted, with a variance of \$34,861. This is due to ongoing remote work and lower utilization of the building and offices for meetings.

Hardware & Software Maintenance

Hardware & Software Maintenance was lower than budgeted with a variance of \$77,976. This is primarily due to several applications that were not utilized in FY 21-22 and did not require licenses to be obtained.

Miscellaneous/Contingency

Miscellaneous and Contingency expenses had a savings of \$237,323 for FY 21-22. This is due to a reduction in one-time events or emergency needs over the fiscal year.

Internal Meetings

Internal Meeting expenses were lower than budgeted, with a variance of \$56,250. This is due to a large portion of staff still working remotely during this fiscal year and lack of in-person meetings.

Division Capacity Building

There were no costs for Division Capacity Building in FY 21-22, with a variance of \$35,000 or 100%. Remote work, limited hybrid work schedules and lack of in-person meetings with internal staff and contractor/external partner meetings have created ongoing delays in spending within this expense category.

Capital Outlay

Capital Outlay fees were significantly lower than budgeted, with a variance of \$131,013. This is due to the utilization of existing computer equipment inventory and any new purchases of laptops and computer equipment transferred and added to fixed asset category and depreciated.

Consultant Services

Consultant Services expenditures were \$469,070 less than the final budget. The variance was primarily the result of delays in project milestones (and related Consultant payments) or no cost extensions into the next fiscal year.

Professional Development

Professional Development expenditures were \$249,209 less than the final budget. The variance was primarily the result of timing issues related to Leadership Programs and Conference Registrations which were less than the final budget by \$82,038 and \$81,801 respectively. This is a result of ongoing delays in the ramp up of in-person professional development opportunities, particularly for in-person leadership cohorts and conferences.

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 3.4% through FY 2021-22 based on the most recent estimate from the California Department of Tax and Fee Administration (CDTFA) projections updated June 6, 2021.

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, 2022

	General Fund	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash and investments	\$ 301,738,376	\$ -	\$ 301,738,376
State receivable	6,351,487	-	6,351,487
Investment income receivable	207,190	-	207,190
Advances to grantees	884,546	-	884,546
Capital assets			
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	10,841,231	10,841,231
Total assets	\$ 309,181,599	\$ 12,880,231	\$ 322,061,830
Liabilities			
Accounts payable and accrued liabilities	\$ 20,438,045	\$ -	\$ 20,438,045
Compensated absences			
Due within one year	-	121,963	121,963
Due in more than one year	-	935,048	935,048
Total liabilities	20,438,045	1,057,011	21,495,056
Deferred Inflows of Resources			
Unavailable revenue	896,972	(896,972)	-
Total deferred inflows of resources	896,972	(896,972)	-
Fund Balance/Net Position			
Fund balance			
Nonspendable	884,546	(884,546)	-
Committed	91,366,959	(91,366,959)	-
Assigned	120,353,448	(120,353,448)	-
Unassigned	75,241,629	(75,241,629)	-
Total fund balance	287,846,582	(287,846,582)	-
Net position			
Investment in capital assets	-	12,880,231	12,880,231
Unrestricted	-	287,686,543	287,686,543
Total net position	-	300,566,774	300,566,774
Total liabilities, deferred inflows of resources and fund balance/net position	\$ 309,181,599	\$ 12,880,231	\$ 322,061,830

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, 2022

	General Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Program revenues			
Operating grants and contributions			
Tobacco taxes	\$ 55,265,755	\$ -	\$ 55,265,755
Prop 56	18,534,434	-	18,534,434
State Commission Program Funds	2,901,648	673,237	3,574,885
Medi-Cal Administrative Activities	189,125	-	189,125
Other program revenue	861,659	(50,291)	811,368
	<u>77,752,621</u>	<u>622,946</u>	<u>78,375,567</u>
Total program revenues			
General revenues			
Investment income	1,629,048	-	1,629,048
Net decrease in fair value of investments	(11,173,321)	-	(11,173,321)
Other general income	18,000		18,000
	<u>(9,526,273)</u>	<u>-</u>	<u>(9,526,273)</u>
Total general revenues			
Total revenues	<u>68,226,348</u>	<u>622,946</u>	<u>68,849,294</u>
Expenditures/expenses			
Provider grants and other allocations	75,838,658	-	75,838,658
Salaries and benefits	15,075,561	55,464	15,131,025
Operating services	1,217,057	-	1,217,057
Consultant services	1,343,030	-	1,343,030
Professional services	327,245	-	327,245
Professional development	113,106	-	113,106
Travel	2,087	-	2,087
Capital outlay	2,885,259	(2,885,259)	-
Depreciation	-	399,451	399,451
	<u>96,802,003</u>	<u>(2,430,344)</u>	<u>94,371,659</u>
Total expenditures/expenses			
Net Change in Fund Balance	(28,575,655)	28,575,655	-
Change in Net Position	-	(25,522,365)	(25,522,365)
Fund balance/net position			
Beginning of year	316,422,237	9,666,902	326,089,139
End of year	<u>\$ 287,846,582</u>	<u>\$ 12,720,192</u>	<u>\$ 300,566,774</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 investment in capital assets and unrestricted funds. At June 30, 2022, the Commission reported unrestricted net position of \$287,686,543.

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 \$12,880,231 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 \$2,885,259 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, 2022 amounted to \$399,451 and is included in the government-wide financial statements.

Long-Term Liabilities

As of June 30, 2022, the Commission estimated its liability for vested compensated absences to be \$1,057,011. 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 \$55,464 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, 2022, the Commission has unavailable revenues of \$896,972. The change in unavailable revenue during the year of \$622,946 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:

- 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, 2022:

- 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, 2022, 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. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after June 15, 2021. The Commission implemented this statement effective July 1, 2021 and determined that there was no material impact on the Commission’s financial statements.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021. The Commission has determined that there was no material impact on the Commission’s financial statements.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021. The Commission has determined that there was no material impact on the Commission’s financial statements.

GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021. The Commission has determined that there was no material 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. 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*.

GASB Statement No. 99 - *Omnibus 2022*

GASB Statement No. 100 - *Accounting Changes and Error Corrections*

GASB Statement No. 101 - *Compensated Absences*

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2022

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.

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, 2022. This includes an allowance for doubtful accounts of \$673,237. The Commission estimates an allowance for doubtful accounts based on an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Commission's estimate for the allowance for doubtful accounts will change.

Advances to Grantees

California Community Foundation	\$ 6,559
Community Partners	200,194
Los Angeles County Office of Education (LACOE)	545,856
Para Los Ninos	82,354
The Nonprofit Partnership	<u>49,583</u>
Total advances to grantees	<u>\$ 884,546</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.

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2022

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.

Note 2 - Cash and Investments

Total cash and investments at fair value, as of June 30, 2022 are as follows:

Cash	
Cash in bank	<u>\$ 262,526</u>
Investments	
Money Market Mutual Funds	4,207,569
Investments with County Treasurer	
Pooled cash and investments	<u>297,268,281</u>
Total investments	<u>301,475,850</u>
Total cash and investments	<u><u>\$ 301,738,376</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, 2022, cash held by financial institutions of \$267,425 was entirely insured and collateralized as described above. The book balance at June 30, 2022 was \$262,526.

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2022

Pooled Cash and Investments

Investments with the Los Angeles County Treasurer at June 30, 2022 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, 2022, the Commission's percentage of participation is 0.65. 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, 2022, the weighted average maturity for the County pool approximated 933 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.

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 and investments in money market mutual funds at June 30, 2022 are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

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

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2022

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), and has weighted average maturity of 12 days.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party.

Deposits that potentially subject the Commission to custodial credit risk consist of demand deposits. The Commission had deposits of \$12,526 at June 30, 2022 which were not covered by the FDIC insurance. However, these amounts are secured in accordance with the California Government Code, which requires that financial institutions secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Collateral is considered held in the Commission's name.

Note 3 - Capital Assets

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets, not depreciated				
Land	\$ 2,039,000	\$ -	\$ -	\$ 2,039,000
Capital assets, depreciable				
Building and improvements	12,076,512	2,856,496	-	14,933,008
Computer software and accessories	2,115,729	28,763	-	2,144,492
Office equipment	331,035	-	-	331,035
Furniture and fixtures	627,670	-	-	627,670
Total depreciable capital assets	15,150,946	2,885,259	-	18,036,205
Less accumulated depreciation				
Building and improvements	(3,890,744)	(326,556)	-	(4,217,300)
Computer software and accessories	(1,946,078)	(72,895)	-	(2,018,973)
Office equipment	(331,032)	-	-	(331,032)
Furniture and fixtures	(627,669)	-	-	(627,669)
Total accumulated depreciation	(6,795,523)	(399,451)	-	(7,194,974)
Total capital assets, depreciable (Net)	8,355,423	2,485,808	-	10,841,231
Capital assets, net	\$ 10,394,423	\$ 2,485,808	\$ -	\$ 12,880,231

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2022

Note 4 - Changes in Compensated Absences

Compensated absences liability activities for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Compensated absences	\$ 1,001,547	\$ 729,797	\$ (674,333)	\$ 1,057,011	\$ 121,963

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, 2022 consists of the following:

Initiative/Program Allocation	Nonspendable
Advances	
California Community Foundation	\$ 6,559
Community Partners	200,194
Los Angeles County Office of Education (LACOE)	545,856
Para Los Ninos	82,354
The Nonprofit Partnership	49,583
Total Nonspendable	\$ 884,546
	Committed
Annual Reporting	\$ 87,000
Capital Project Fund	3,269,068
Center Support	600,000
Children's Data Network (CDN)	793,000
Communities	16,302,000
Conference Funding to Advance the Field of Early Childhood Development	50,000
County Data Partnership	147,000
Data Requests	5,000
Early Care & Education Systems	10,942,000
Early Childhood Policy and Advocacy Fund	1,500,000
Emerging Opportunities Fund	150,000
Families	38,170,000
Federal Policy and Sustainability Advocate	75,000
First 5 LA Data Strategy	200,000
Health-Related Systems	5,364,955
Impact Framework	256,000
L.A. Care Health Plan	934,089
Little by Little/One Step Ahead	6,082,847
Organizational Memberships and Stakeholder Engagement Efforts	393,000
Organization-wide Sponsorships to Build Partnerships and Public Will for First 5 LA's Results Areas	200,000
Policy Advocacy Fund Technical Assistance Provider	596,000
State Policy and Sustainability Advocate	366,000
Strategic Communications	1,897,000
Strategic Communications Partnerships	250,000

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2022

Initiative/Program Allocation	
Strategic Marketing	\$ 1,450,000
Strategic Plan Advocacy Strategies	973,000
Women, Infants & Children Data Mining Research Partnership	<u>314,000</u>
Total Committed	<u>\$ 91,366,959</u>
Assigned	
Strategic Plan	<u>\$ 120,353,448</u>
Total Assigned	<u>\$ 120,353,448</u>
Unassigned	
Operating Budget - FY 2022-23	\$22,245,086
Fund Balance Reserve - 50% of total FY 22-23 Budget	<u>52,996,543</u>
Total Unassigned	<u>\$75,241,629</u>
Total Fund Balance	<u><u>\$ 287,846,582</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 \$2,385,767 on program evaluation during the year ended June 30, 2022.

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.

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2022

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 \$775,643, comprised of \$641,363 in elective contribution and \$134,280 in non-elective contribution for the fiscal year ended June 30, 2022.

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:

Unavailable Revenue	
Child360	\$ 673,237
DLL Grant from F5CA	223,735
	<hr/>
Total unavailable revenue	\$ 896,972
	<hr/>

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 - Related Party Transactions

The Commission incurred expenses totaling \$10,716 for County of Los Angeles services provided during the year ended June 30, 2022.

In the fiscal year, the Commission incurred \$54,715,795 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, 2022, amounts of \$5,053,815 are included in accounts payable to these organizations.

Note 11 - 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 \$1,944,214 in IMPACT Regional Coordination and Training reimbursable expenditures for the year ended June 30, 2022.

For IMPACT Technical Assistance 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 \$741,610 in IMPACT Technical Assistance Hubs reimbursable expenditures for the year ended June 30, 2022.

Required Supplementary Information
June 30, 2022

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, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Tobacco taxes	\$ 68,806,793	\$ 74,599,402	\$ 55,265,755	\$ (19,333,647)
Prop 56	-	-	18,534,434	18,534,434
State Commission Program Funds	-	-	2,901,648	2,901,648
Medi-Cal Administrative Activities	-	-	189,125	189,125
Other program revenue	5,144,000	5,789,000	861,659	(4,927,341)
Investment income	4,017,415	4,288,532	1,629,048	(2,659,484)
Net increase (decrease) in fair value of investments	-	-	(11,173,321)	(11,173,321)
Other general income	-	-	18,000	18,000
Total revenues	77,968,208	84,676,934	68,226,348	(16,450,586)
Expenditures				
Program Costs				
Provider grants and other allocations	109,152,168	109,945,118	75,838,658	34,106,460
Total program costs	109,152,168	109,945,118	75,838,658	34,106,460
Operations & Administration				
Personnel Related Expenditures				
Salaries and wages	13,151,967	13,108,967	11,564,326	1,544,641
Fringe Benefits	4,252,139	4,252,139	3,511,235	740,904
Total personnel related expenditures	17,404,106	17,361,106	15,075,561	2,285,545
General Operating Expenditures				
ADP Payroll Charges	40,000	40,000	36,336	3,664
Workers' Compensation Insurance	65,000	65,000	44,519	20,481
Utilities	135,000	120,000	129,530	(9,530)
Corporate Insurance	106,000	106,000	104,041	1,959
Mileage and Parking	21,680	21,680	4,823	16,857
Telephones and Modems	70,000	70,000	60,805	9,195
Cell Phones and Mobile Devices	133,800	133,800	117,200	16,600
Outside Printing	1,500	1,000	301	699
Other Supplies	5,250	5,250	-	5,250
Postage and Delivery	8,000	8,000	4,577	3,423
Educational Supplies	3,100	3,100	475	2,625
Office Supplies	59,700	58,700	23,839	34,861
Subscriptions and Publications	31,180	31,180	85,158	(53,978)
Equipment Rental	27,000	26,000	22,849	3,151
Building Repairs and Maintenance	150,000	140,000	137,834	2,166
Equipment Repairs and Maintenance	11,500	11,500	-	11,500
Offsite Storage	27,000	29,500	22,718	6,782
Hardware and Software Maintenance	445,214	476,214	398,238	77,976
Miscellaneous/Contingency	244,000	244,000	6,677	237,323
Stipend/Honorarium	2,100	2,100	700	1,400
Internal Meetings	84,200	69,700	13,450	56,250
Division Capacity Building	35,000	35,000	-	35,000
Capital Outlay	134,000	134,000	2,987	131,013
Total general operating expenditures	1,840,224	1,831,724	1,217,057	614,667

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, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Professional Services				
Audit	\$ 90,000	\$ 90,000	86,105	\$ 3,895
Legal	225,000	225,000	141,532	83,468
Professional Dues	44,023	43,023	31,039	11,984
Staff Recruitment	10,000	10,000	10,798	(798)
Commission Stipends	23,000	23,000	18,000	5,000
Web-Based Services	56,600	106,600	29,055	77,545
Bank & Other Service Charges	20,000	20,000	10,716	9,284
Total professional services	<u>468,623</u>	<u>517,623</u>	<u>327,245</u>	<u>190,378</u>
Consultant Services				
Consultant Fees	1,481,100	1,467,100	992,033	475,067
Other Professional Fees	320,000	345,000	350,997	(5,997)
Total consultant services	<u>1,801,100</u>	<u>1,812,100</u>	<u>1,343,030</u>	<u>469,070</u>
Travel and Meetings				
Airfare	31,850	24,850	1,723	23,127
Lodging	44,900	26,900	295	26,605
Per Diem	20,100	13,850	69	13,781
Other Travel Expense	16,750	15,000	-	15,000
Total travel and meetings	<u>113,600</u>	<u>80,600</u>	<u>2,087</u>	<u>78,513</u>
Professional Development				
Training Materials & Supplies	7,200	6,500	-	6,500
Internal Training	63,500	61,000	4,053	56,947
Leadership Programs	172,000	170,000	87,962	82,038
Conference Registration	87,215	97,215	15,414	81,801
External Education/Training	34,600	27,600	5,677	21,923
Total professional development	<u>364,515</u>	<u>362,315</u>	<u>113,106</u>	<u>249,209</u>
Capital Improvements	-	-	2,885,259	(2,885,259)
Total operating expenditures	<u>21,992,168</u>	<u>21,965,468</u>	<u>20,963,345</u>	<u>1,002,123</u>
Total program costs and operating expenditures	<u>131,144,336</u>	<u>131,910,586</u>	<u>96,802,003</u>	<u>35,108,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (53,176,128)</u>	<u>\$ (47,233,652)</u>	<u>(28,575,655)</u>	<u>\$ 18,657,997</u>
Fund balance - Beginning of year			<u>316,422,237</u>	
Fund balance - End of year			<u>\$ 287,846,582</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 2021-22 was \$131.9 million, which included \$109.9 million for Program costs and \$22 million for Operating and Administrative costs.

Other Supplementary Information
June 30, 2022

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, 2022

Program	Source	Revenue Funds	Expenditures
IMPACT Regional Coordination and Training	First 5 California	\$ 1,944,214	\$ 1,944,214
Technical Assistance Hubs (Hubs)	First 5 California	741,610	741,610

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	287,686,543	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
Investment in capital asset	12,880,231	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
Total net position	<u>\$ 300,566,774</u>	<u>\$ 326,089,139</u>	<u>\$ 349,258,949</u>	<u>\$ 375,179,693</u>	<u>\$ 390,065,132</u>	<u>\$ 433,325,517</u>	<u>\$ 473,105,796</u>	<u>\$ 555,406,783</u>	<u>\$ 644,762,604</u>	<u>\$ 735,607,742</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

	2022	2021	2020	2019	2018*	2017	2016	2015	2014	2013
Revenues										
Tobacco taxes*	\$ 55,265,755	\$ 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
Prop. 56	18,534,434	18,215,617	18,068,329	7,482,310	-	-	-	-	-	-
State School Readiness	-	-	-	-	-	-	-	-	-	-
State Commission Program Funds	3,574,885	2,469,410	922,472	13,986,085	896,040	556,665	5,796,252	10,283,414	18,009,907	2,749,082
Medi-Cal Administrative Activities	189,125	80,319	133,955	350,924	181,859	137,599	159,549	80,799	232,408	316,369
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	811,368	522,406	584,118	123,793	1,016,683	401,956	115,000	-	-	-
Investment income	1,629,048	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)
Net increase (decrease) in FMV of investments	(11,173,321)	(2,861,364)	1,354,275	4,898,141	(2,742,856)	(3,026,254)	1,064,007	2,152,879	-	-
Other revenues	18,000	121,894	110,899	133,321	148,135	122,208	119,100	104,072	100,320	98,880
Total revenues:	<u>\$ 68,849,294</u>	<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>
Expenses										
Provider grants and other allocations	\$ 75,838,658	\$ 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
Pass-through grants	-	-	65,042	273,294	136,877	4,150,975	13,519,735	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	N/A
First 5 California (SRI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Salaries and benefits	15,131,025	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
Operating services	1,217,057	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
Consultant services	1,343,030	905,278	1,308,527	881,090	850,154	999,806	990,724	1,216,609	956,488	549,676
Professional services	327,245	426,218	323,816	382,450	500,050	346,529	323,336	404,560	543,038	426,726
Professional development	113,106	61,235	176,217	186,902	166,975	-	-	-	-	-
Other expenses	2,087	86	224,934	339,524	273,951	358,346	255,453	264,892	183,974	149,116
Depreciation	399,451	309,554	300,441	302,300	312,988	309,327	316,567	322,346	353,258	452,182
Total expenses:	<u>\$ 94,371,659</u>	<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>
Change in net position	<u>\$ (25,522,365)</u>	<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>

* 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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund Balance										
Nonspendable	\$ 884,546	\$ 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
Committed	91,366,959	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
Assigned	120,353,448	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
Unassigned	75,241,629	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
Total Fund Balance	<u>\$ 287,846,582</u>	<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>

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
Tobacco taxes*	\$ 55,265,755	\$ 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
Prop. 56	18,534,434	18,215,617	18,068,329	7,482,310	-	-	-	-	-	-
State School Readiness	-	-	-	-	-	-	-	-	-	-
State Commission Program Funds	2,901,648	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
Medi-Cal Administrative Activities	189,125	80,319	133,955	350,924	181,859	137,599	159,549	80,799	232,408	316,369
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	861,659	531,868	320,982	123,793	1,016,683	401,956	115,000	-	-	-
Investment income	1,629,048	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)
Net increase (decrease) in FMV of investments	(11,173,321)	(2,861,364)	1,354,275	4,898,141	(2,742,856)	(3,026,254)	1,064,007	2,152,879	-	-
Other income	18,000	105,414	110,899	133,321	148,135	122,208	119,100	104,072	100,320	98,880
Total revenues:	<u>\$ 68,226,348</u>	<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>
Expenditures:										
Provider grants and other allocations	\$ 75,838,658	\$ 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
Pass-through grants	-	-	65,042	273,294	136,877	4,150,975	13,519,735	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	N/A
First 5 California (SRI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Salaries and benefits	15,075,561	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
Operating services	1,217,057	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
Consultant services	1,343,030	905,278	1,308,527	881,090	850,154	999,806	990,724	1,216,609	956,488	549,676
Professional services	327,245	426,218	323,816	382,450	500,050	346,529	323,336	404,560	543,038	426,726
Professional development	113,106	61,235	176,217	186,902	166,975	-	-	-	-	-
Other expenses	2,087	86	224,934	339,524	273,951	358,346	255,453	264,892	183,974	149,116
Capital outlay	2,885,259	75,944	87,095	302,300	312,988	309,327	\$ 316,567	124,949	80,471	29,648
Total expenditures:	<u>\$ 96,802,003</u>	<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>
Excess of revenues over expenditures	<u>\$ (28,575,655)</u>	<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>

*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 2016-2022 – FY 2023-2024

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 2020-21
(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
2020-21	1,700,943,000	5,053,000	1,705,996,000	335,000	266,694,000	56.93%
2019-20	1,708,597,000	5,075,000	1,713,672,000	1,191,000	258,560,000	59.27%
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		
1969-70	237,220,000	2,032,000	239,253,000	455,000		

Los Angeles County Children and Families First – Proposition 10 Commission
Cigarette Taxes and Other Tobacco Products Surtax Revenue
1959-60 to 2020-21
(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
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		

Note: Detail may not compute to total due to rounding.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021**
LA County Personal Income	486,733,508	483,578,594	514,516,564	549,073,019	563,907,868	593,741,110	628,808,732	653,482,910	678,829,092	-
LA County Per Capita Personal Income	48,900	48,283	51,111	54,298	55,624	58,419	62,224	65,094	68,272	-
California Personal Income	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	2,997,205,600
California Per Capita Personal Income	48,359	48,555	51,317	54,664	56,374	58,272	62,586	66,745	71,480	76,386
United States Personal Income	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	21,056,621,900
United States Per Capita Personal Income	44,283	44,489	46,486	48,429	49,204	50,392	53,712	49,763	52,992	63,444

Source:

Bureau of Economic Analysis: <http://www.bea.gov/table/table.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.

**2021 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
2012 - 2021

Area	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
United States	5.3%	8.1%	3.7%	3.7%	4.4%	4.3%	5.3%	6.2%	7.4%	8.1%
California	7.3%	10.1%	4.0%	4.2%	4.8%	4.7%	6.2%	7.5%	8.9%	10.4%
Los Angeles County	8.2%	12.8%	4.0%	4.6%	4.7%	4.6%	6.7%	8.3%	9.9%	10.9%

Source:

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

Los Angeles County Children and Families First – Proposition 10 Commission

Ten Largest Industries
Last Year and Ten Years Ago

Industry	June 30, 2021			June 30, 2012		
	Number of Employees	Rank	Percentage of Total	Number of Employees	Rank	Percentage of Total
Educational & Health Services	839,300	1	19.91%	696,000	2	17.15%
Trade, Transportation & Utilities	804,600	2	19.09%	769,200	1	18.96%
Professional & Business Services	598,800	3	14.21%	562,100	4	13.85%
Government	558,700	4	13.26%	571,800	3	14.09%
Leisure & Hospitality	438,300	5	10.40%	420,400	5	10.36%
Manufacturing	306,900	6	7.28%	377,800	6	9.31%
Financial Activities	209,300	7	4.97%	212,900	7	5.25%
Information	177,000	8	4.20%	187,600	8	4.62%
Construction	148,100	9	3.51%	108,600	10	2.68%
Other Services	127,100	10	3.02%	143,000	9	3.52%
Sub-total Ten Largest Industries	4,208,100		99.85%	4,049,400		99.78%
All Other Industries	6,400		0.15%	8,600		0.22%
Total Industries	4,214,500		100.00%	4,058,000		100.00%

Note:

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

Source:

County of Los Angeles Annual Comprehensive Financial Report for the year ended June 30, 2021:

<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 - 2022

Functional Area	2022 (10)	2021 (9)	2020 (8)	2019 (7)	2018 (6)	2017 (5)	2016 (4)	2015 (3)	2014 (2)	2013 (1)
Executive	7	6	8	8	7	8	5	4.5	5.5	3
Administration	34	34	32	32	30	38	37.5	34.5	34	35
Programs	79	80	108	108	111	107	106	101.5	91.5	92
Total	120	120	148	148	148	153	148.5	140.5	131	130

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

(10) First 5 LA Approved FY 2021-22 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, 2022, 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 13, 2022.

Report on 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.

Report on 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 13, 2022



Independent Auditor's Report on State Compliance

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

Report on Compliance Opinion

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, 2022.

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, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test 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 Benefits Policies	2	Yes

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

Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act. Accordingly, this report 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 13, 2022