Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Los Angeles County Children and Families First – Proposition 10 Commission

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

Prepared by the Finance Department

first 5 la
Giving kids the best start

October 12, 2023

To the Board of Commissioners and
Citizens of County of Los Angeles
750 North Alameda Street, Suite 300
Los Angeles, CA 90012

Dear Commissioners and Citizens of County of Los Angeles:

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, 2023, 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, 2023. The independent auditor's 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 25 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.

A PUBLIC ENTITY
750 N. Alameda Street, Los Angeles, CA 90012 Phone: 213.482.5920 Fax: 213.482.5903 First5LA.org

ADVANCING OUR STRATEGIC DIRECTION

In Fiscal Year 2022-2023, First 5 LA completed its third 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— greater collaboration and partnership. 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 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:

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

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

<u>Expand Influence and Impact with Data</u>: 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.

<u>Optimize Our Effectiveness</u>: 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.

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 is currently being refined to better align with the evolving nature of our work and fiscal reality while continuing to be responsive to the communities we serve in the years ahead.

ORGANIZATIONAL HIGHLIGHTS

As we continue into year four of the strategic plan, the work undertaken has developed to further align with the 2020-2028 Strategic Plan structure which will continue to evolve next year in response to the Strategic Plan Reset and the revised Long Term Financial Plan to better align with our fiscal reality and more adequately represent resources that will support the strategic plan direction moving forward through FY 2027-28.

A PUBLIC ENTITY
750 N. Alameda Street, Los Angeles, CA 90012 Phone: 213.482.5920 Fax: 213.482.5903 First5LA.org

Although First 5 LA's primary source of funding, Proposition 10 Tobacco Tax, has been on a gradual rate of decline since FY 2004-05 because of a decreasing number of smokers and births in L.A. County, approval of a recent California ballot measure, Proposition 31, prohibiting the sale of certain flavored tobacco products which took effect December 2022, has exacerbated our fiscal reality. The fiscal effect of this legislation is a reduction to state tobacco tax revenues, and thus an accelerated reduction in revenues to the First 5 Commissions, including First 5 LA. The net effect of this legislation is a decline in the projected revenue beginning in FY 2022-23 and a significant decline in the projected available fund balance for fiscal year ending 2028. As a result of this impact to revenue, we are leveraging the strategic plan reset process to review and reassess our strategic plan priorities, our short-term and longer-term work priorities and proposed spending. As an organization, we will continue to filter our investments through a diversity, equity and inclusion lens to ensure we are engaging and operating in a manner that is reflective and responsive to the needs of our communities.

First 5 LA's work continues to evolve, informed by experience, learning and the dynamic context in which we work. Our ongoing experience has made it clear that one of our primary endeavors of promoting systems change work requires time and effort to effectively develop the partnerships necessary to achieve the desired goals outlined in our strategic plan, and we will continue to invest the time and resources required for systems change. Nevertheless, a long-term emphasis on sustainability, particularly in light of recent changes to tobacco tax revenue, continues to undergird the investment decisions to advance results for children and families in our communities.

LOOKING AHEAD

- ***Continued refinement and implementation of our 2020-2028 Strategic Plan***. The FY 2023-2024 budget represents resources that will support year four implementation of the 2020-2028 Strategic Plan. Completion of year three and the formation of the budget for year four 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, largely driven by the Proposition 31 approved ballot, has forced us to think more critically and creatively about how we employ our funds for greatest impact as we continue to uphold and advance the goals and priorities of the strategic plan through our work. First 5 LA will continue to evolve as we revisit and update key elements of our strategic plan in an effort toward greater alignment of the Commission's objectives and fiscal realities, as well as the evolving needs of the children and families we serve.

- ***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. Given the evolving context of our work, guided by refinements to the strategic plan, as well as recent legislative changes impacting our primary source of tobacco tax revenue, First 5 LA will be revisiting the long term plan spending limits and revenue projections to identify the appropriate level of resources for distribution in support of our new fiscal reality and revised strategic plan goals.

A PUBLIC ENTITY
750 N. Alameda Street, Los Angeles, CA 90012 Phone: 213.482.5920 Fax: 213.482.5903 First5LA.org

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 $25,000, 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 8, 2023, 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, 2022. This was the 15th 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 annual comprehensive 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,

Karla Pleitéz Howell

Karla Pleitéz Howell
Executive Director

KPH:ro

FIRST 5 LA

Commissioners
Holly J. Mitchell, Los Angeles County Supervisor, Chair
Brandon T. Nichols, J.D., Los Angeles County DCFS, Vice Chair
Judy Abdo
Robert Byrd, Psy.D.
Astrid Heger, M.D.
Yvette Martinez
Summer McBride
Maricela Ramirez, Ed.D.
Carol Sigala, Ph.D.

Ex-Officio Commissioners
Barbara Ferrer, Ph.D., M.P.H., M.Ed.
Jacquelyn McCroskey
Deanne Tilton Durfee

Alternate Commissioners
Deborah Allen, Sc.D.
Mary Romero Barraza
Luis Bautista
Victor Manalo, Ph.D.
Kristin McGuire
Frank Ramos
Sylvia S. Swilley, M.D.
Winnie Wechsler

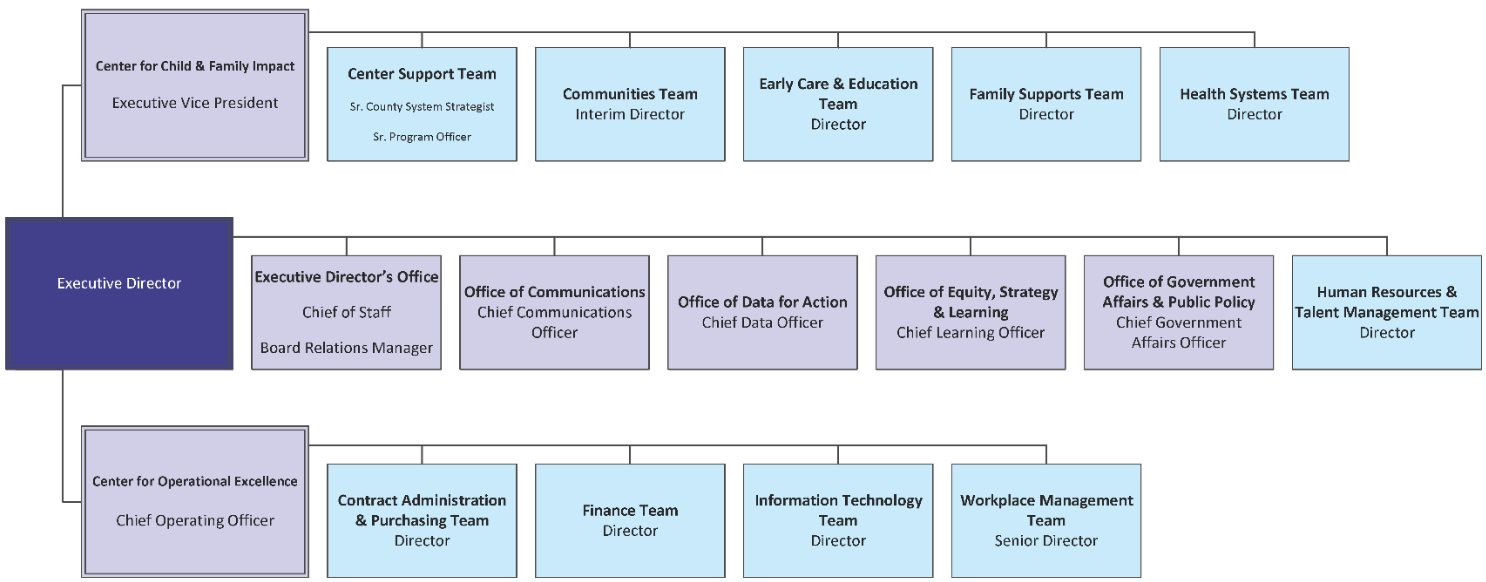
Executive Director
Karla Pleitéz Howell, J.D.

Executive Vice President
John A. Wagner

Chief Operating Officer
Teofilo “JR” Nino

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

Organization Structure First 5 LA



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

First 5 LA
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

CPAs & BUSINESS ADVISORS

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, 2023 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, 2023, 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*, issued by the Comptroller General of the United States *(Government Auditing Standards).* 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 GAAS. 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 12, 2023, 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.

Eide Bailly LLP

Rancho Cucamonga, California
October 12, 2023

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, 2023. 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 $70.4 million in program revenues which include tobacco taxes, Proposition 56 backfill, IMPACT/Hubs funds, Refugee Family Support Grant and pass-through funds for Medi-Cal Administrative Activities. Revenues from First 5 California (the State) totaled $69.7 million, reflecting a 9.9% decrease of $7.7 million from $77.4 million in FY 2021-22.

- Commission expenses totaled $91.9 million in FY 2022-23, representing a 2.6% decrease of $2.4 million from $94.4 million in FY 2021-22.

- The Commission's liabilities increased from $21.5 million in FY 2021-22 to $21.7 million in FY 2022-23, reflecting a total increase of $197,978, or 0.9%.

- The Commission's total net position decreased from $300.6 million in FY 2021-22 to $292.1 million in FY 2022-23, a decline of approximately $8.5 million, or 2.8%.

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 2022-23 with FY 2021-22:

	FY 2022-23	FY 2021-22	Percent Increase (Decrease)	Increase (Decrease)
Assets:				
Current and other assets	$300,335,306	$309,181,599	-2.86%	($8,846,293)
Capital assets	13,464,635	12,880,231	4.54%	584,404
Total assets	$313,799,941	$322,061,830	-2.57%	($8,261,889)
Liabilities:				
Long-term liabilities	$883,953	$935,048	-5.46%	($51,095)
Other liabilities	20,809,081	20,560,008	1.21%	249,073
Total liabilities	$21,693,034	$21,495,056	0.92%	$197,978
Net Position:				
Unrestricted	$278,642,272	$287,686,543	-3.14%	($9,044,271)
Investment in capital assets	13,464,635	12,880,231	4.54%	584,404
Total net position	$292,106,907	$300,566,774	-2.81%	($8,459,867)
Total liabilities and net position	$313,799,941	$322,061,830	-2.57%	($8,261,889)

The Commission's FY 2022-23 total assets of $313.8 million represent a decrease of $8.3 million, or a 2.6% decline, compared with the prior year. Of this total, the decrease in current and other assets is approximately $8.8 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 $8.5 million.

The $584,404 increase in capital assets is a result of the organization's completion of Phase 1 and launch of Phase 2 of its Capital Improvement Project to provide physical improvements to the 750 N. Alameda Street building. The depreciation expense for FY 2022-23 was $438,429. 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 2022-23 with FY 2021-22:

	FY 2022-23	FY 2021-22	Percent Increase (Decrease)	Increase (Decrease)
Revenues:				
Program revenues				
Tobacco taxes	$47,253,504	$55,265,755	-14.50%	($8,012,251)
Proposition 56	16,236,701	18,534,434	-12.40%	(2,297,733)
CA Electronic Cigarette Excise Tax	1,114,427	-	N/A	1,114,427
State Commission Program Funds	5,109,088	3,574,885	42.92%	1,534,203
Medi-Cal Administrative Activities	132,945	189,125	-29.71%	(56,180)
Other program revenue	550,017	811,368	-32.21%	(261,351)
Total program revenues	$70,396,682	$78,375,567	-10.18%	($7,978,885)
General revenues				
Investment income	$9,440,982	$1,629,048	479.54%	$7,811,934
Net increase (decrease) in fair value of investments	3,649,787	(11,173,321)	-132.67%	$14,823,108
Other general income	2,500	18,000	-86.11%	($15,500)
Total general revenues	13,093,269	(9,526,273)	-237.44%	22,619,542
Total revenues	$83,489,951	$68,849,294	21.26%	$14,640,657
Expenses:				
Provider grants and other allocations	$73,000,450	$75,838,658	-3.74%	($2,838,208)
Salaries and benefits	15,672,576	15,131,025	3.58%	541,551
Operating services	1,136,076	1,217,057	-6.65%	(80,981)
Consultant services	1,274,116	1,343,030	-5.13%	(68,914)
Professional services	293,063	327,245	-10.45%	(34,182)
Professional development	68,743	113,106	-39.22%	(44,363)
Other expenses	66,365	2,087	3079.92%	64,278
Depreciation	438,429	399,451	9.76%	38,978
Total expenses	$91,949,818	$94,371,659	-2.57%	($2,421,841)
Change in net position:	(8,459,867)	(25,522,365)	-66.85%	17,062,498
Net position – beginning	300,566,774	326,089,139	-7.83%	(25,522,365)
Net position – ending	$292,106,907	$300,566,774	-2.81%	($8,459,867)

Revenues

The Commission received a total of roughly $83.5 million in revenues for FY 2022-23, reflecting an increase of $14.6 million, or 21.3% compared with the prior year's total revenues of $68.8 million. The overall changes in revenue are due to the following:

Tobacco Tax

Tobacco tax revenue decreased from $55.3 million in FY 2021-22 to $47.3 million in FY 2022-23, a decrease of roughly $8 million, or 14.5%. Revenue decreased due to a decline in overall tobacco sales and the enactment of Proposition 31 (SB 793) in December 2022, which prohibits in-person stores and vending machines from selling most flavored tobacco products or tobacco product flavor enhancers.

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 2022-23 by $16.2 million compared to $18.5 million in the prior fiscal year, a decrease of $2.3 million, or 12.4%. The backfill is received the following fiscal year and the actual amount represented here is for FY 2021-22.

California Electronic Cigarette Excise Tax

Beginning July 1, 2022, retailers of electronic cigarettes (in-state or out-of-state) are required to collect from the purchaser at the time of sale the California Electronic Cigarette Excise Tax (CECET) at the rate of 12.5% of the retail selling price of electronic cigarettes containing or sold with nicotine. First 5 California receives 12% of that total tax, which is then distributed following the First 5 County disbursement guidelines to the 58 individual counties. The collection of the CECET is estimated to total $1.1 million in FY2022-23.

State Commission Program Funds

State Commission program funds increased from $3.6 million in FY 2021-22 to $5.1 million in FY 2022-23, an increase of $1.5 million or 42.9%. This increase was primarily due to several programs from First 5 CA including IMPACT/Hubs funds and Refugee Family Support Grant.

Medi-Cal Administrative Activities

The Medi-Cal Administrative Activities (MAA) program decreased from $189,125 in FY 2021-22 to $132,945 in FY 2022-23. This is a decrease of $56,180 or 29.7%. 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.

Other Program Revenue

Other Program revenue decreased from $811,368 in FY 2021-22 to $550,017 in FY 2022-23. This is a decrease of $261,351 or 32.2%. This revenue includes grants from a Medi-Cal Managed Care Plan, Los Angeles County Office of Education, and Los Angeles County – Department of Public Health.

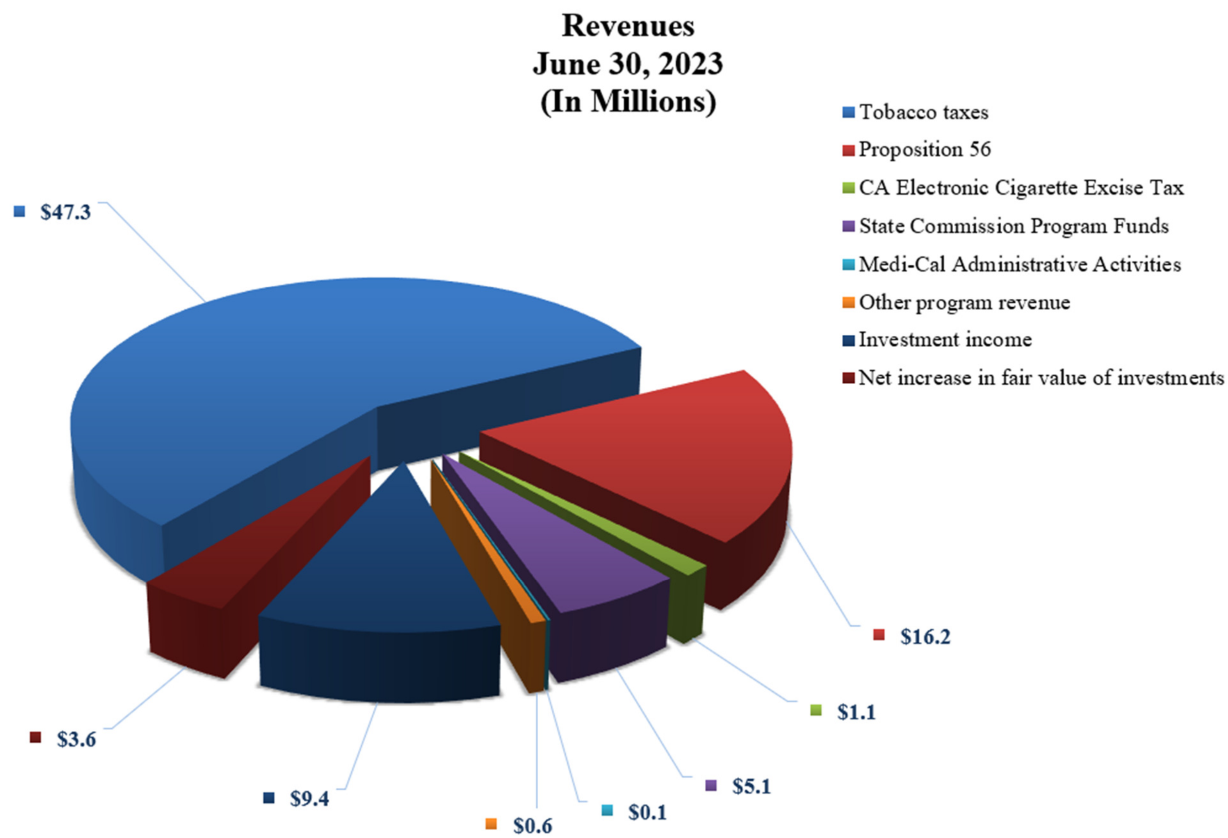
Investment Income

The Commission earned $9.4 million of investment income in FY 2022-23, which was an increase of $7.8 million, or approximately 480%, compared with the $1.6 million earned in the prior year. The overall rate of return for FY22-23 was 2.89%, an increase of 2.24% over the prior year. This was due to increases in interest rates over the course of the fiscal year and the establishment of the three-year specific investment with the County of Los Angeles.

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 2022-23, the fair value of First 5 LA's investment portfolio adjustment increase was roughly $3.6 million, compared to the $11.2 million unrealized loss in FY 2021-22. This increase can be attributed a significant increase in interest rates in the prior year and improvements to the ongoing external macroeconomic factors affecting overall economic health at this point-in-time.

The fair value adjustments included an unrealized gain on investments in the County Pooled investment account of $4.9 million offset by an unrealized loss of $1.3 million for the 3-year specific investment with Los Angeles County.



Expenses

The Commission recognized expenses of $91.9 million in FY 2022-23 compared with $94.4 million in FY 2021-22, a decrease of $2.4 million, or 2.6%. The $2.4 million net decrease in overall expenses encompasses the following in FY 2022-23:

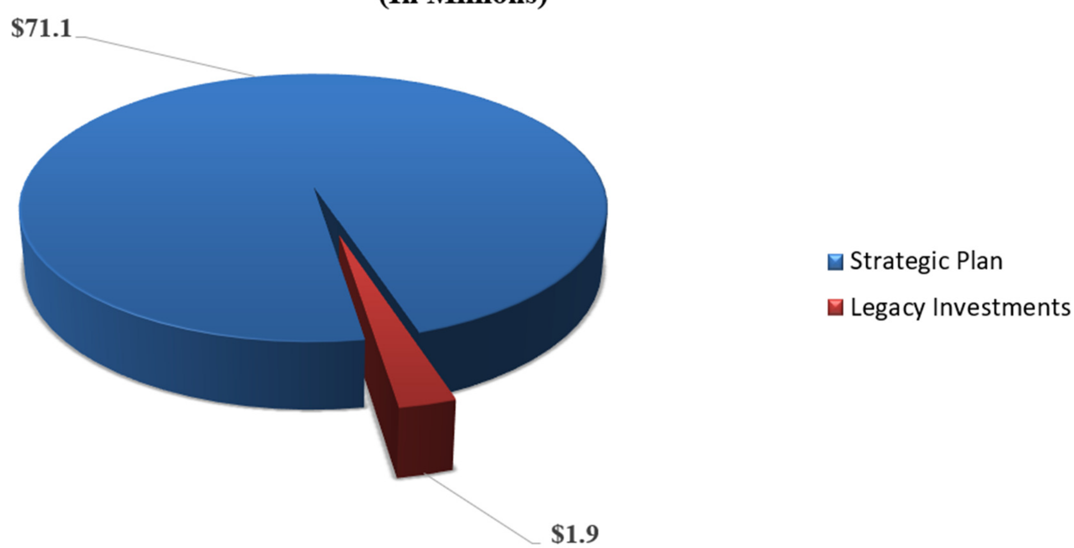
Provider Grants and Other Allocations

The Commission experienced a decrease of $2.8 million, or 3.7% in support of "Provider grants and other allocations," spending approximately $73.0 million in FY 2022-23 compared to $75.8 million in FY 2021-22. The net decrease is the result of the continued learning and refinement to the work and proposed spending in alignment to the Long-Term Financial Plan spending limits and downward revenue trajectory, as well as adjusted activity timelines and sunsetted or ramped down 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 2022-23 marks the third year of the eight-year 2020-2028 Strategic Plan. Roughly $71.1 million was expended in FY 2022-23, a decrease of approximately $4.7 million or 6.2% as compared to FY 2021-22. A significant driver of the strategic plan is a long-term emphasis on sustainability, particularly considering recent changes to tobacco tax revenue, which has and will continue to undergird the investment decisions to advance results for children and families in Los Angeles' communities. As such, the decline in spending was anticipated and was consistent with the long-term financial plan and annual spending limits. Spending was reduced within the areas of Family Supports, Communities, Early Care and Education (ECE), and Office of Communications.

- Legacy Investments: This category includes existing multi-year funding representing ongoing work of the Commission that is expected to end according to the terms of the project approval or was determined to be aligned with the 2020-2028 Strategic Plan. There is only one legacy investment remaining—Little by Little. Approximately $1.9 million of the remaining allocation balance was expended in FY 2022-23 which reflected a $547,840 or roughly 39.4% increase in spending. This investment, with an original allocation of $30 million, is anticipated to fully expend in 2025.

First 5 LA Funded Provider Grants and Other Allocations Expenses
Fiscal Year Ended June 30, 2023
(In Millions)



Salaries and Benefits
Salaries and Benefits increased from FY 2021-22 by $541,551 or 3.6%. This was primarily due to annual merit increases, as well as increased costs to benefits such as health insurance.

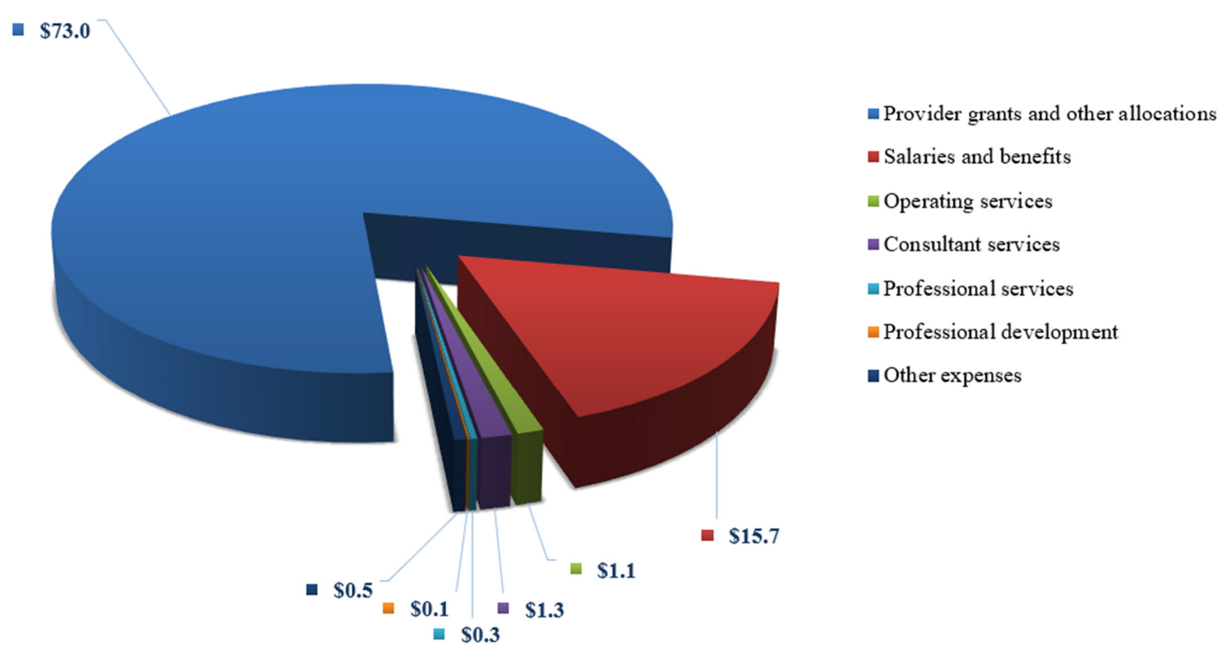
Operating Services
Operating Services decreased by $80,981 or 6.7% from the prior year due to stabilization of inflationary pressures and macroeconomic factors affecting general operating costs, particularly in facilities, maintenance, and utilities.

Consultant Services
The Commission recorded $1.3 million in expenses for Consultant services in FY 2022-23, a 5.1% decrease from FY 2021-22. The decrease is primarily due to the reduced engagement of firms and individuals for assistance in ongoing strategic plan reset temporary labor support for IT services and building management services.

Professional Services
Professional services decreased from FY 2021-22 by $34,182 or 10.5%. The decrease is largely due to a decline in expenses for legal, audit and staff recruitment services.

Professional Development
Professional development decreased in FY 2022-23 by $44,363 or 39.2% from FY 2021-22. The decrease is due to a variety of factors, including the increase of virtual conferences and development opportunities which are more cost-effective than on-site gatherings. Additionally, there was a waning interest in virtual leadership programs which resulted in reduced spending for FY 2022-23.

Program and Operating Expenses
Fiscal Year Ended June 30, 2023
(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 2022-23, the Commission's general fund reported a total ending fund balance of $275.7 million, a decrease of $12.2 million, or 4.2% in comparison with the prior fiscal year balance of $287.8 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, Prop 56, and CA Electronic Cigarette Excise Tax (CECET)
Tobacco tax revenue recorded for FY 2022-23 was $47.3 million of tobacco tax revenue, $16.2 million of Proposition 56 backfill, and $868,385 in CECET revenue. The total combined amount of $64.4 million was approximately $1.3 million or 1.5% lower than the anticipated amount of $65.7 million. The original estimate of $65.7 million was based on data provided by the California Department of Tax and Fee Administration, updated March 2023.

Other Program Revenue
Other program revenue recorded for FY 2022-23 was $1.2 million which was in line with expectations estimated in the Long-Term Financial Plan approved by the Commission in June of 2023. Revenue recorded includes funds from a Medi-Cal Managed Care Plan, Los Angeles County – Department of Public Health and Los Angeles County Office of Education for the Quality Improvement System project.

Investment Income
Investment income of $8.6 million was earned in FY 2022-23. The monthly average return of 2.89% is higher than the 1.25% anticipated and included in the Long-Term Financial Projection approved by the Commission in June 2023. In November 2022, the Commission invested in a 3-year specific investment which is earning an approximate $581,000 in monthly interest in addition to the interest the Commission is earning from its County Treasurer Surplus Investment Pool.

Original Expenditure Budget vs. Final Expenditure Budget

In February 2023, the Commission received and filed the proposed mid-year adjustments to the FY 2022-23 budget, reducing the original approved $106 million budget by $1.1 million or 1.1%. This streamlined approach, presented to the board and approved in November 2019, bypassed formal board-approval of the mid-year adjustments in favor of a lighter touch engagement with the board and staff. Approval of this approach was grounded in adherence to the annual spending limit approved by the board as well as full transparency of the detailed spending plan to the Commission. Materials shared for board review were comparable to those shared in previous years. Like the previous three years, the net change to the original board-approved budget for FY 2022-23 was less than 3%. 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 $1.1 million or 1.3%. In February 2023, through the process of receiving and filing, the Commission agreed to a mid-year revised budget adjusting Family Supports downward by just over $1.0 million, adjusting Communities upward by $290,000, cost-neutral adjustments to Early Care & Education, an increase to Health Systems by $177,000, a downward adjustment to the Office of Data for Action of $129,000, and a downward adjustment to Legacy Investments reduction of $400,000. The downward adjustment to Family Supports was a result of projected spending trends, as well as the receipt of $100,000 from a Medi-Cal Managed Care Plan to offset existing costs. The increase to Communities was the result of new additional external funding from First 5 California for the purpose of advancing the Refugee Resettlement L.A. program. The upward adjustment to the Health Systems budget was 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, along with some cost-neutral adjustments. The net downward adjustment to the Office of Data for Action was the result of postponing activities related to the Impact Framework until after the Strategic Plan Refinements were finalized, to update and align indicators and intentions.

In an effort toward sustainability, the Legacy Investment Little by Little/One Step Ahead program grantee was able to acquire additional funding at a higher rate than originally anticipated for the project, resulting in a downward adjustment to the budget for FY 2022-23.

Operating Services

This category includes several line-item adjustments, both upward and downward, with a total net increase of $6,000. Adjustments include a decrease of $12,500 to the Worker's Compensation line item within the Finance Team budget, based on reduced anticipated need compared to the original budget. Additional decreases include Divisional Capacity Building ($15,000) and Internal Meetings ($3,000). Both line items are primarily being driven down by the Center for Child and Family Impact (CCFI) Team as they have been reduced to adjust for savings from the first half of the fiscal year. These decreases are offset by an increase to Corporate Insurance ($10,000) which is adjusted to align with revised anticipated needs. The most notable upward adjustment is an increase to Hardware and Software Maintenance of $27,500, which will fund an additional four Power Plan/ABM licenses of $2,500 and offset the $25,000 increase to the Blackbaud Grant Management (BBGM) software licensing. There has been a significant increase in the licensing fees of BBGM which have risen from $150,000 to $172,000.

Consultant Services
This category includes adjustments across multiple departments, resulting in a net overall increase of $30,000. There were adjustments across two teams, resulting in a net overall decrease of $30,000. The decrease is primarily driven by the Contract Administration & Purchasing (CAP) and CCFI teams. Both were downward adjustments due to cost savings which were used to offset additional costs in other line items.

Professional Services
This category reflects a net downward adjustment in costs of $500 resulting from anticipated savings in professional dues.

Travel Expenses
There was a decrease in the Travel cost category of $9,500 and the largest drivers behind the decreases were the CAP and Family Supports teams. Many of the events that required in-person visitation will be offered virtually. For this reason, airfare and lodging budgets have also decreased.

Professional Development
This category includes Training Materials & Supplies, Internal Training, Leadership Programs, Conference Registrations and External Education/Training. There was an overall decrease of $4,000 made to the Professional Development cost category. A downward adjustment of $3,000 was made to the Conference Training and registration line item under Family Supports due to an increase in more economical virtual trainings. Similarly, CCFI also made a downward adjustment to this line item due to cost savings they had from the first half of the fiscal year.

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 2022-23 was approximately $9.7 million. The primary overarching factor contributing to the FY 2022-23 budget to actual variance was the residual impact related to the 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 $1.8 million. This is due to a combination of regular employee turnover during this fiscal year and vacant positions that were budgeted but not filled.

Operating Services were less than final budget by $525,602. Below is an analysis of the significant activities comprising this variance:

Utilities
Utilities expenses were higher than budgeted, with a variance of $64,370. This is due to macroeconomic factors including higher energy prices and continuing work on the remodel of the building during this fiscal year.

Mileage and Parking
Mileage and parking costs were lower than budgeted, with a variance of $17,660. Staff continuing remote work in the prior fiscal year yielded significant savings in this cost category.

Telephones and Modems
Telephones, modems and related expenses were lower, with a savings of $17,905. Existing technology and equipment were able to support much of the needs in this category, resulting in an overall decrease in expenses.

Cell Phones and Mobile Devices
Cell phone and mobile device costs came in lower than budgeted, with a variance of $19,939. This is due to overall lower cellular reimbursements than expected due to staff vacancies and absences.

Office Supplies
Office Supplies were lower than budgeted, with a variance of $28,469. This is due to ongoing remote work and lower utilization of the building and offices for meetings.

Building Repairs and Maintenance
Building repairs and maintenance expenses exceeded the final budget by $20,162. Maintenance costs stayed consistently high over the course of the year. Additional costs related to the preparation of the building for the start of hybrid work schedules also contributed to expenses late in the fiscal year.

Hardware & Software Maintenance
Hardware & Software Maintenance was lower than budgeted with a variance of $206,398. This is primarily due to several applications that were not utilized in FY 22-23 and did not require licenses to be obtained.

Miscellaneous/Contingency
Miscellaneous and Contingency expenses had a savings of $73,038 for FY 22-23. 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 $61,425. 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 22-23, with a variance of $15,000 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 $117,458. 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 costs came in under budget in all categories for a total savings of $733,984. The variance is primarily the result of a lower anticipated need for consultants.

Professional Services
Professional services costs came in under budget in all categories, for a total savings of $227,432. Considerable decreases in legal services and web-based services led to cost savings for the organization.

Travel

Travel and travel related expenses were considerably lower than budgeted. The $137,023 in cost savings coincides with the ongoing use of virtual instead on in-person meetings, in addition to lower levels of travel for a variety of uses, including professional development, in-person conferences and offsite meetings. Travel expenses are expected to return closer in line with expectations in the upcoming year.

Professional Development

Professional Development expenditures were $249,807 less than the final budget. The variance was primarily the result of timing issues related to Internal Training and Conference Registration which were less than the final budget by $116,800 and $68,952 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 have assumed a roughly 3-5% rate of revenue decline on an annual basis over the last several years, through to the end of the Strategic Plan term in 2028. However, approval of the recent ballot measure prohibiting the sale of certain flavored tobacco, Proposition 31, has resulted in an accelerated decline in First 5 LA's Proposition 10 tobacco tax funding as of November 2022. Based on the most recent forecast from the Department of Finance (DOF) and the California Department of Tax and Fee Administration (CDTFA) updated May 2023, which was adjusted in response to Proposition 31, tobacco tax revenues are projected to decline by 13.4% from FY 2023 to FY 2024, with another higher-than-average decline in revenues projected between FY 2024 to FY 2025.

The long-term impact to the primary source of funding will be closely monitored. The established long-term spending limits will be revisited, informed by the impact of Proposition 31 and the strategic plan reset process, and a revised long-term plan will be shared with the First 5 LA Commission for review and approval in FY 2023-24.

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.

	General Fund	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash and investments	$ 286,758,811	$ -	$ 286,758,811
State receivable	11,882,953	-	11,882,953
Interest receivable	1,208,961	-	1,208,961
Advances to grantees	484,581	-	484,581
Capital assets			
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	11,425,635	11,425,635
Total assets	$ 300,335,306	$ 13,464,635	$ 313,799,941
Liabilities			
Accounts payable and accrued liabilities	$ 20,688,542	$ -	$ 20,688,542
Compensated absences			
Due within one year	-	120,539	120,539
Due in more than one year	-	883,953	883,953
Total liabilities	20,688,542	1,004,492	21,693,034
Deferred Inflows of Resources			
Unavailable revenue	3,958,306	(3,958,306)	-
Total deferred inflows of resources	3,958,306	(3,958,306)	-
Fund Balance/Net Position			
Fund balance			
Nonspendable	484,581	(484,581)	-
Committed	80,749,917	(80,749,917)	-
Assigned	124,149,006	(124,149,006)	-
Unassigned	70,304,954	(70,304,954)	-
Total fund balance	275,688,458	(275,688,458)	-
Net position			
Investment in capital assets	-	13,464,635	13,464,635
Unrestricted	-	278,642,272	278,642,272
Total net position	-	292,106,907	292,106,907
Total liabilities, deferred inflows of resources and fund balance/net position	$ 300,335,306	$ 13,464,635	$ 313,799,941

	General Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Program revenues			
Operating grants and contributions			
Tobacco taxes	$ 47,253,504	$ -	$ 47,253,504
Proposition 56	16,236,701	-	16,236,701
CA Electronic Cigarette Excise Tax	868,385	246,042	1,114,427
State Commission Program Funds	2,510,249	2,598,839	5,109,088
Medi-Cal Administrative Activities	132,945	-	132,945
Other program revenue	1,153,255	(603,238)	550,017
Total program revenues	68,155,039	2,241,643	70,396,682
General revenues			
Investment income	8,621,291	819,691	9,440,982
Net increase in fair value of investments	3,649,787	-	3,649,787
Other general income	2,500	-	2,500
Total general revenues	12,273,578	819,691	13,093,269
Total revenues	80,428,617	3,061,334	83,489,951
Expenditures/expenses			
Provider grants and other allocations	73,000,450	-	73,000,450
Salaries and benefits	15,725,095	(52,519)	15,672,576
Operating services	1,136,076	-	1,136,076
Consultant services	1,274,116	-	1,274,116
Professional services	293,063	-	293,063
Professional development	68,743	-	68,743
Travel	56,365	-	56,365
Marketing	10,000	-	10,000
Capital outlay	1,022,833	(1,022,833)	-
Depreciation	-	438,429	438,429
Total expenditures/expenses	92,586,741	(636,923)	91,949,818
Net Change in Fund Balance	(12,158,124)	12,158,124	-
Change in Net Position	-	(8,459,867)	(8,459,867)
Fund balance/net position			
Beginning of year	287,846,582	12,720,192	300,566,774
End of year	$ 275,688,458	$ 16,418,449	$ 292,106,907

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 represents 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, 2023, the Commission reported unrestricted net position of $278,642,272.

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

a. 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 $13,464,635 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 $1,022,833 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, 2023 amounted to $438,429 and is included in the government-wide financial statements.

b. Long-Term Liabilities
As of June 30, 2023, the Commission estimated its liability for vested compensated absences to be $1,004,492. 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 decrease in compensated absences during the year of $52,519 is reported in the statement of activities and does not require the use of current financial resources.

c. 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, 2023, the Commission has unavailable revenues of $3,958,306. The change in unavailable revenue during the year of $3,061,334 is reported in the statement of activities and is presented in the adjustments column on page 18 of the statements.

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, 2023:

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, 2023, 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. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*. The objective of this Statement is to establish standards of accounting and financial reporting for PPPs and APAs. The Statement requires recognition of certain assets, receivables, deferred inflows of revenues (transferor) and liabilities and deferred outflows of resources (operators) for PPP arrangements. This Statement is effective for reporting periods beginning after June 15, 2022. The Commission has determined that there was no material impact on the Commission's financial statements.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The Commission has determined that there was no material impact on the Commission's financial statements.

GASB Statement No. 97 – In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2022. The Commission has determined that there was no material impact on the financial statements.

GASB Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in account and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. 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. 99 - *Omnibus 2022* - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.
GASB Statement No. 100 - *Accounting Changes and Error Corrections*
GASB Statement No. 101 - *Compensated Absences*

Investments

The Commission participates in the common investment pool of Los Angeles County as well as investments in a 3-year specific investment program administered by 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, 2023.

Advances to Grantees	
Para Los Ninos	$ 319,534
The Nonprofit Partnership	31,733
El Nido Family Centers	42,114
Community Health Councils	91,200
Total advances to grantees	$ 484,581

Capital Assets

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

Deferred Inflows of Resources

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

Use of Estimates

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

Note 2 - Cash and Investments

Total cash and investments at fair value, as of June 30, 2023 are as follows:

Cash	
Cash in bank	$ 237,380
Investments	
Money market mutual funds	3,497,941
Investments with County Treasurer	
Pooled cash and investments	150,363,610
3 Year Specific Investments	132,659,880
Total investments	286,521,431
Total cash and investments	$ 286,758,811

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 fair 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, 2023, cash held by financial institutions of $248,162 was entirely insured and collateralized as described above. The book balance at June 30, 2023 was $237,380.

Investments

Investments with the Los Angeles County Treasurer at June 30, 2023 are stated at fair value.

The fair value of 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. 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, 2023, the remaining maturity for the County pool approximated 753 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.

The Commission had the following investments and maturities at June 30, 2023:

	Investment Maturities (in Months)			
Investment Type	12 Months or Less	13 to 24 Months	25 to 36 Months	Total
Money Market Mutual Funds	$ 3,497,941	$ -	$ -	$ 3,497,941
Investments with County Treasurer				
3 Year Specific Investments:				
Federal Agencies	-	-	132,659,880	132,659,880
Pooled Cash and Investments	150,363,610	-	-	150,363,610
Total investments	$ 153,861,551	$ -	$ 132,659,880	$ 286,521,431

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.

Investments' fair value measurements are as follows as of June 30, 2023:

Investment Type	Level 1	Level 2	Level 3	Fair Value
Investments with County Treasurer				
3 Year Specific Investment				
Federal Agencies	$ -	$ 132,659,880	$ -	$ 132,659,880
Investments not Leveled				
Money Market Mutual Funds				3,497,941
Investments with County Treasurer				
Pooled Cash and Investments				150,363,610
Total investments				$ 286,521,431

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, 2023 are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

Authorized Investments

The Commission has adopted an investment policy that identifies the authorized investment types consistent with the California Government Code, where more restrictive. The investments authorized in the policy include Certificates of Deposits (CD's), Commercial Paper (CP), Corporate Notes, Federal Agencies, U.S. Treasuries, Los Angeles County Investment Pool, and Money Market Mutual Funds.

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 10 days. The Commission's investment in Federal Agencies is rated Aaa (Moody's) and AA+ (S&P).

Concentration Credit Risk

Investments in any one issuer (other than Money Market Mutual Funds, U.S. Treasury Securities, or external investment pools) that represent 5% or more of the total investments of the Commission are as follows:

Issuer	Investment Type	Fair Value	Percent of Portfolio
The Federal Home Loan Bank (FHLB)	Federal Agencies	$ 83,249,880	29%
The Federal Home Loan Mortgage Corporation (FHLMC)	Federal Agencies	49,410,000	17%

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 no deposits at June 30, 2023, 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, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets, not depreciated				
Land	$ 2,039,000	$ -	$ -	$ 2,039,000
Capital assets, depreciable				
Building and improvements	14,933,008	889,433	-	15,822,441
Computer software and accessories	2,144,492	118,389	-	2,262,881
Office equipment	331,035	15,011	-	346,046
Furniture and fixtures	627,670	-	-	627,670
Total depreciable capital assets	18,036,205	1,022,833	-	19,059,038
Less accumulated depreciation				
Building and improvements	(4,217,300)	(353,509)	-	(4,570,809)
Computer software and accessories	(2,018,973)	(83,419)	-	(2,102,392)
Office equipment	(331,032)	(1,501)	-	(332,533)
Furniture and fixtures	(627,669)	-	-	(627,669)
Total accumulated depreciation	(7,194,974)	(438,429)	-	(7,633,403)
Total capital assets, depreciable (Net)	10,841,231	584,404	-	11,425,635
Capital assets, net	$ 12,880,231	$ 584,404	$ -	$ 13,464,635

Note 4 - Changes in Compensated Absences

Compensated absences liability activities for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Compensated absences	$ 1,057,011	$ 700,041	$ (752,560)	$ 1,004,492	$ 120,539

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, 2023 consists of the following:

Initiative/Program Allocation	
	Nonspendable
Advances	
Para Los Ninos	$ 319,534
The Nonprofit Partnership	31,733
El Nido Family Centers	42,114
Community Health Councils	91,200
Total nonspendable	484,581
	Committed
Annual Reporting	63,000
Capital Project Fund	2,379,635
Center Support	450,000
Children's Data Network (CDN)	723,000
Communities	14,367,200
County Data Partnership	75,000
Data Requests	5,000
Early Care & Education	6,174,615
Early Childhood Policy and Advocacy Fund	4,000,000
Emerging Opportunities Fund	150,000
Family Supports	39,103,000
First 5 LA Data Strategy	200,000
Health Systems	4,750,550
Impact Framework	122,000
Little by Little/One Step Ahead	2,027,000
Organizational Memberships	175,000
Organization-Wide Partnerships	175,000
Organization-Wide Sponsorships	300,000
Policy Advocacy Fund Technical Assistance Provider	596,000
Policy Advocacy Stakeholder Engagement	180,000
State Policy and Sustainability Advocate	320,000
Strategic Communications	1,587,417
Strategic Communications Partnerships	200,000
Strategic Marketing	1,400,000
Strategic Plan Advocacy Strategies	819,500
WIC Data Mining Research Partnership	407,000
Total committed	80,749,917

Initiative/Program Allocation	
	Assigned
Strategic Plan	$ 124,149,006
Total assigned	124,149,006
	Unassigned
Operating Budget - FY 2023-24	20,746,542
Fund Balance Reserve - 50% of total FY 23-24 Budget	49,558,412
Total unassigned	70,304,954
Total fund balance	$ 275,688,458

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 $2,066,866 on program evaluation during the year ended June 30, 2023.

Note 7 - Deferred Compensation Plans

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

Regular and limited-term employees are eligible to receive both an elective and a non-elective contribution based on years of completed service with the organization. The elective contribution requires employee participation in order to receive the employer match and is between 1% and 3% depending on the employee's contribution and the years of service the employee has completed with the organization: 1% for less than one year, 2% after one year and 3% for after two years or more of completed service. The Commission also makes a separate, non-elective contribution into the retirement plan regardless of employee participation. This non-elective employer contribution is between 3% and 7.5% based on years of completed service with the organization: 3% for less than 5 years, 4.5% for 5 to 9 years, 6% for 10 to 14 years, and 7.5% after 15 years or more of completed service. Employer contributions are not 100% vested until an employee has completed three years of service with the organization, with a graded vesting schedule for employees who complete at least one year of service. The Commission contributed a total of $788,392, comprised of $289,606 in elective contribution and $498,786 in non-elective contribution for the fiscal year ended June 30, 2023.

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		
CA Electronic Cigarette Excise Tax	$	246,042
LACOE IMPACT		2,773,452
AAIMM Strategic Communications		69,999
Refugee Family Support Program		49,122
Investment Income		819,691
Total unavailable revenue	$	3,958,306

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 $10,964 for County of Los Angeles services provided during the year ended June 30, 2023.

In the fiscal year, the Commission incurred $49,708,025 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, 2023, amounts of $9,206,580 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 $3,723,794 in IMPACT Regional Coordination and Training reimbursable expenditures for the year ended June 30, 2023.

For IMPACT Hubs, the primary focus is to provide coordination and specialized support to consortia within a region or with similar technical assistance needs to create economies of scale while building a local early learning system. The Commission claimed $741,610 in IMPACT Technical Assistance Hubs reimbursable expenditures for the year ended June 30, 2023.

Required Supplementary Information
June 30, 2023

Los Angeles County Children and Families First – Proposition 10 Commission

	Original Budget	Final Budget	Actual	Variance Increase (Decrease)
Revenues				
Tobacco Taxes	$ 72,899,428	$ 65,652,207	$ 47,253,504	$ (18,398,703)
Proposition 56	-	-	16,236,701	16,236,701
CA Electronic Cigarette Excise Tax	-	-	868,385	868,385
State Commission Program Funds	-	-	2,510,249	2,510,249
Medi-Cal Administrative Activities	-	-	132,945	132,945
Other Program Revenue	-	-	1,153,255	1,153,255
Investment Income	-	-	8,621,291	8,621,291
Net Increase in Fair Value of Investments	5,308,077	5,874,813	3,649,787	(2,225,026)
Other General Income	3,962,292	4,184,793	2,500	(4,182,293)
Total revenues	82,169,797	75,711,813	80,428,617	4,716,804
Expenditures				
Program Costs				
Provider Grants and Other Allocations	83,748,000	82,659,602	73,000,450	9,659,152
Operations & Administration				
Salaries and Benefits				
Salaries and Wages	13,351,910	13,351,910	12,093,863	1,258,047
Fringe Benefits	4,152,966	4,152,966	3,631,232	521,734
Total salaries and benefits	17,504,876	17,504,876	15,725,095	1,779,781
Operating Services				
ADP Payroll Charges	42,000	42,000	36,454	5,546
Workers' Compensation Insurance	65,000	52,500	42,801	9,699
Utilities	120,000	120,000	184,370	(64,370)
Corporate Insurance	100,000	110,000	109,614	386
Mileage and Parking	25,405	25,405	7,745	17,660
Telephones and Modems	70,000	70,000	52,095	17,905
Cell Phones and Mobile Devices	130,338	129,338	109,399	19,939
Outside Printing	2,000	2,000	801	1,199
Other Supplies	5,250	5,250	1,821	3,429
Postage and Delivery	9,500	9,500	2,364	7,136
Educational Supplies	3,000	3,000	498	2,502
Office Supplies	62,705	62,705	34,236	28,469
Subscriptions and Publications	34,385	34,385	33,141	1,244
Equipment Rental	26,190	26,190	20,809	5,381
Building Repairs and Maintenance	150,000	150,000	170,162	(20,162)
Equipment Repairs and Maintenance	11,100	11,100	494	10,606
Offsite Storage	22,500	22,500	15,436	7,064
Hardware and Software Maintenance	419,000	446,500	240,102	206,398
Miscellaneous/Contingency	102,800	102,800	29,762	73,038
Stipend/Honorarium	-	-	1,350	(1,350)
Internal Meetings	94,505	91,505	30,080	61,425
Division Capacity Building	30,000	15,000	-	15,000
Capital Outlay	130,000	130,000	12,542	117,458
Total operating services	1,655,678	1,661,678	1,136,076	525,602

	Original Budget	Final Budget	Actual	Variance Increase (Decrease)
Consultant Services				
Consultant Fees	$ 1,660,100	$ 1,630,100	$ 958,022	$ 672,078
Other Professional Fees	378,000	378,000	316,094	61,906
Total consultant services	2,038,100	2,008,100	1,274,116	733,984
Professional Services				
Audit	90,000	90,000	66,115	23,885
Legal	225,000	225,000	146,253	78,747
Professional Dues	57,995	57,495	29,976	27,519
Staff Recruitment	20,000	20,000	2,851	17,149
Commission Stipends	20,000	20,000	15,750	4,250
Web-Based Services	88,000	88,000	21,154	66,846
Bank & Other Service Charges	20,000	20,000	10,964	9,036
Total professional services	520,995	520,495	293,063	227,432
Travel				
Airfare	75,649	74,649	19,415	55,234
Lodging	77,014	71,514	22,233	49,281
Per Diem	39,997	36,747	11,207	25,540
Other Travel Expense	10,228	10,478	3,510	6,968
Total travel and meetings	202,888	193,388	56,365	137,023
Marketing				
Advertising-Print	-	-	10,000	(10,000)
Professional Development				
Training Materials & Supplies	10,700	10,700	100	10,600
Internal Training	122,400	122,400	5,600	116,800
Leadership Programs	31,000	31,000	18,350	12,650
Conference Registration	103,700	99,700	30,748	68,952
External Education/Training	54,750	54,750	13,945	40,805
Total professional development	322,550	318,550	68,743	249,807
Capital Outlay	-	-	1,022,833	(1,022,833)
Total operating expenditures	22,245,087	22,207,087	19,586,291	2,620,796
Total program costs and operating expenditures	105,993,087	104,866,689	92,586,741	12,279,948
Excess (deficiency) of revenues over (under) expenditures	$ (23,823,290)	$ (29,154,876)	(12,158,124)	$ 16,996,752
Fund balance - Beginning of year			287,846,582	
Fund balance - End of year			$ 275,688,458	

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 fiscal year 2022-23 was $105 million, which included $83 million for Program costs and $22 million for Operating and Administrative costs.

Other Supplementary Information
June 30, 2023

Los Angeles County Children and Families First – Proposition 10 Commission

Program	Source	Revenue Funds	Expenditures
IMPACT Regional Coordination and Training	First 5 California	$ 3,723,794	$ 3,723,794
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.

Sources:

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

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Unrestricted	$ 278,642,272	$ 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
Investment in capital asset	13,464,635	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
Total net position	$ 292,106,907	$ 300,566,774	$ 326,089,139	$ 349,258,949	$ 375,179,693	$ 390,065,132	$ 433,325,517	$ 473,105,796	$ 555,406,783	$ 644,762,604

Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year									
	2023	2022	2021	2020	2019	2018*	2017	2016	2015	2014
Revenues										
Tobacco taxes*	$ 47,253,504	$ 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
Prop. 56	16,236,701	18,534,434	18,215,617	18,068,329	7,482,310	-	-	-	-	-
California Electronic Cigarette Excise Tax	1,114,427	-	-	-	-	-	-	-	-	-
State Commission Program Funds	5,109,088	3,574,885	2,469,410	922,472	13,986,085	896,040	556,665	5,796,252	10,283,414	18,009,907
Medi-Cal Administrative Activities	132,945	189,125	80,319	133,955	350,924	181,859	137,599	159,549	80,799	232,408
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	550,017	811,368	522,406	584,118	123,793	1,016,683	401,956	115,000	-	-
Investment income	9,440,982	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
Net increase (decrease) in FMV of investments	3,649,787	(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	2,500	18,000	121,894	110,899	133,321	148,135	122,208	119,100	104,072	100,320
Total revenues:	$ 83,489,951	$ 68,849,294	$ 81,159,365	$ 88,463,598	$ 104,115,100	$ 78,960,253	$ 90,097,771	$ 107,957,511	$ 110,614,887	$ 114,991,535
Expenses										
Provider grants and other allocations	$ 73,000,450	$ 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
Salaries and benefits	15,672,576	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
Operating services	1,136,076	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
Consultant services	1,274,116	1,343,030	905,278	1,308,527	881,090	850,154	999,806	990,724	1,216,609	956,488
Professional services	293,063	327,245	426,218	323,816	382,450	500,050	346,529	323,336	404,560	543,038
Professional development	68,743	113,106	61,235	176,217	186,902	166,975	-	-	-	-
Other expenses	66,365	2,087	86	224,934	339,524	273,951	358,346	255,453	264,892	183,974
Depreciation	438,429	399,451	309,554	300,441	302,300	312,988	309,327	316,567	322,346	353,258
Total expenses:	$ 91,949,818	$ 94,371,659	$ 104,329,175	$ 114,384,342	$ 119,000,539	$ 122,220,638	$ 129,878,050	$ 190,258,498	$ 199,970,708	$ 205,836,673
Change in net position	$ (8,459,867)	$ (25,522,365)	$ (23,169,810)	$ (25,920,744)	$ (14,885,439)	$ (43,260,385)	$ (39,780,279)	$ (82,300,987)	$ (89,355,821)	$ (90,845,138)

* 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.

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund Balance										
Nonspendable	$ 484,581	$ 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
Committed	80,749,917	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
Assigned	124,149,006	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
Unassigned	70,304,954	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
Total Fund Balance	$ 275,688,458	$ 287,846,582	$ 316,422,237	$ 338,683,806	$ 352,109,768	$ 379,419,674	$ 422,139,017	$ 460,076,176	$ 536,628,004	$ 625,923,360

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
Tobacco taxes*	$ 47,253,504	$ 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
Prop. 56	16,236,701	18,534,434	18,215,617	18,068,329	7,482,310	-	-	-	-	-
California Electronic Cigarette Excise Tax	868,385	-	-	-	-	-	-	-	-	-
State Commission Program Funds	2,510,249	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
Medi-Cal Administrative Activities	132,945	189,125	80,319	133,955	350,924	181,859	137,599	159,549	80,799	232,408
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	1,153,255	861,659	531,868	320,982	123,793	1,016,683	401,956	115,000	-	-
Investment income	8,621,291	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
Net increase (decrease) in FMV of investments	3,649,787	(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	2,500	18,000	105,414	110,899	133,321	148,135	122,208	119,100	104,072	100,320
Total revenues:	$ 80,428,617	$ 68,226,348	$ 81,635,147	$ 100,183,151	$ 104,115,100	$ 78,960,253	$ 90,097,771	$ 107,957,511	$ 110,468,480	$ 107,649,815
Expenditures:										
Provider grants and other allocations	$ 73,000,450	$ 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
Pass-through grants	-	-	-	65,042	273,294	136,877	4,150,975	13,519,735	N/A	N/A
Salaries and benefits	15,725,095	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
Operating services	1,136,076	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
Consultant services	1,274,116	1,343,030	905,278	1,308,527	881,090	850,154	999,806	990,724	1,216,609	956,488
Professional services	293,063	327,245	426,218	323,816	382,450	500,050	346,529	323,336	404,560	543,038
Professional development	68,743	113,106	61,235	176,217	186,902	166,975	-	-	-	-
Other expenses	66,365	2,087	86	224,934	339,524	273,951	358,346	255,453	264,892	183,974
Capital outlay	1,022,833	2,885,259	75,944	87,095	302,300	312,988	309,327	$ 316,567	124,949	80,471
Total expenditures:	$ 92,586,741	$ 96,802,003	$ 103,896,716	$ 114,059,364	$ 119,000,539	$ 122,220,638	$ 129,878,050	$ 190,258,498	$ 199,763,836	$ 205,471,423
Excess of revenues over expenditures	$ (12,158,124)	$ (28,575,655)	$ (22,261,569)	$ (13,876,213)	$ (14,885,439)	$ (43,260,385)	$ (39,780,279)	$ (82,300,987)	$ (89,295,356)	$ (97,821,608)

*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.

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
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)

Cigarette Taxes and Other Tobacco Products Surtax Revenue
1959-60 to 2021-22
(In thousands of dollars)

	Cigarette tax				Other tobacco products surtax	
Fiscal year	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate
2021-22	1,552,563,789	4,611,767	1,557,175,556	847,881	288,966,313	63.49%
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		

(In thousands of dollars)

Fiscal year	Cigarette tax Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Other tobacco products surtax Revenue	Rate
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		
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.

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
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.

**2021 and 2022 demographic data is not yet available for Los Angeles County.*

Economic Data

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022**
LA County Personal Income	483,578,594	514,516,564	549,073,019	563,907,868	593,741,110	628,808,732	653,482,910	678,829,092	728,772,915	-
LA County Per Capita Personal Income	48,283	51,111	54,298	55,624	58,419	62,224	65,094	68,272	74,141	-
California Personal Income	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	3,018,471,000
California Per Capita Personal Income	48,555	51,317	54,664	56,374	58,272	62,586	66,745	71,480	76,386	77,339
United States Personal Income	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	21,777,200,000
United States Per Capita Personal Income	44,489	46,486	48,429	49,204	50,392	53,712	49,763	52,992	63,444	76,326

Source:

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

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

***2022 economic data is not yet available for Los Angeles County.*

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

Area	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
United States	3.6%	5.3%	8.1%	3.7%	3.7%	4.4%	4.3%	5.3%	6.2%	7.4%
California	4.2%	7.3%	10.1%	4.0%	4.2%	4.8%	4.7%	6.2%	7.5%	8.9%
Los Angeles County	4.5%	8.2%	12.8%	4.0%	4.6%	4.7%	4.6%	6.7%	8.3%	9.9%

Source:

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

	June 30, 2022			June 30, 2013		
Industry	Number of Employees	Rank	Percentage of Total	Number of Employees	Rank	Percentage of Total
Educational & Health Services	867,600	1	19.19%	695,900	2	16.89%
Trade, Transportation & Utilities	846,800	2	18.73%	780,900	1	18.95%
Professional & Business Services	657,000	3	14.53%	579,100	3	14.06%
Government	572,100	4	12.66%	561,300	4	13.62%
Leisure & Hospitality	499,900	5	11.06%	445,700	5	10.82%
Manufacturing	321,800	6	7.12%	377,400	6	9.16%
Information	228,200	7	5.05%	195,900	8	4.75%
Financial Activities	214,200	8	4.74%	213,300	7	5.18%
Construction	156,600	9	3.46%	115,100	10	2.79%
Other Services	150,200	10	3.32%	146,300	9	3.55%
Sub-total Ten Largest Industries	4,514,400		99.86%	4,110,900		99.78%
All Other Industries	6,300		0.14%	9,000		0.22%
Total Industries	4,520,700		100.00%	4,119,900		100.00%

Source:

County of Los Angeles Annual Comprehensive Financial Report for the year ended June 30, 2022:

https://auditor.lacounty.gov/wp-content/uploads/2023/01/Annual-Comprehensive-Financial-Report-FY-2021-2022.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.

Functional Area	2023 (10)	2022 (9)	2021 (8)	2020 (7)	Fiscal Year 2019 (6)	2018 (5)	2017 (4)	2016 (3)	2015 (2)	2014 (1)
Executive	6	7	6	8	8	7	8	5	4.5	5.5
Administration	34	34	34	32	32	30	38	37.5	34.5	34
Programs	80	79	80	108	108	111	107	106	101.5	91.5
Total	**120**	**120**	**120**	**148**	**148**	**148**	**153**	**148.5**	**140.5**	**131**

Source:
(1) First 5 LA Approved FY 2013-14 Operating Budget
(2) First 5 LA Approved FY 2014-15 Operating Budget
(3) First 5 LA Approved FY 2015-16 Operating Budget
(4) First 5 LA Approved FY 2016-17 Operating Budget
(5) First 5 LA Approved FY 2017-18 Operating Budget
(6) First 5 LA Approved FY 2018-19 Operating Budget
(7) First 5 LA Approved FY 2019-20 Operating Budget
(8) First 5 LA Approved FY 2020-21 Operating Budget
(9) First 5 LA Approved FY 2021-22 Operating Budget
(10) First 5 LA Approved FY 2022-23 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, 2023, 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 12, 2023.

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 or significant deficiencies 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.

Eide Bailly LLP

Rancho Cucamonga, California
October 12, 2023

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, 2023.

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, 2023.

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.

Eide Bailly LLP

Rancho Cucamonga, California
October 12, 2023