

Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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

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

Los Angeles County Children and Families First – Proposition 10 Commission

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Los Angeles County Children and Families First – Proposition 10 Commission

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October 10, 2024

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, 2024, 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, 2024. 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.

COMMISSIONERS

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Summer McBride
Vice Chair

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Abigail Marquez
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Jacquelyn McCroskey, DSW
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Brandon Nichols

PRESIDENT & CEO

Karla Pleitez Howell

EXECUTIVE VICE PRESIDENT

John A. Wagner

A PUBLIC ENTITY

OUR EVOLVING STRATEGIC DIRECTION

In Fiscal Year 2023-2024, First 5 LA began developing a new Strategic Plan. Fiscal Year 2024-2025 will serve as a transitional period as we move from the 2020-2028 Strategic Plan to the newly approved 2024-2029 Strategic Plan. This transition is driven by changes in our funding and our commitment to addressing the evolving needs of our communities based on our learnings.

Over the past 25 years, First 5 LA has evolved from solely funding direct services to partnering broadly to drive systems change that improves outcomes for young children and families. The new Strategic Plan outlines goals aimed at ensuring well-being for all children from prenatal to age 5 in Los Angeles County, addressing needs across a continuum—from physiological safety to self-fulfillment. The key goals are:

- Goal One: Children prenatal to age 5 and their families have their basic needs met.
- Goal Two: Children prenatal to age 5 have nurturing relationships and environments.
- Goal Three: Children prenatal to age 5 have a solid foundation for well-being, lifelong learning and success.

To implement this plan and support children in reaching their full developmental potential, First 5 LA will serve as a:

- Convenor: brings together public agencies, philanthropy, nonprofit organizations and communities to share data, access and learn from new and diverse perspectives
- Connector: cultivates existing and new relationships to improve collaboration to advance better outcomes for children and families
- Trusted thought partner on early childhood: ensures issues impacting children, prenatal to age 5 are part of diverse agendas and spaces
- Advocate: influences resource allocation and distribution, policy and practice changes, and implementation of public policy

This strategic approach reflects First 5 LA's commitment to directing resources for maximum impact on families and children prenatal to age 5 in Los Angeles County as *“we envision a future where every child is born healthy and thrives in a nurturing, safe and loving community.”*

ORGANIZATIONAL HIGHLIGHTS

As we conclude the fourth year of the 2020-2028 Strategic Plan, we have established a solid foundation for aligning our organizational priorities and structure. This foundation will continue to evolve next year as we implement the 2024-2029 Strategic Plan and the updated Long-Term Financial Plan. These updates are designed to better align with our fiscal reality and more accurately reflect the resources needed to support our strategic priorities through FY 2028-29.

First 5 LA's primary funding source, the Proposition 10 Tobacco Tax, has been declining gradually since FY 2004-05 due to decreases in smoking rates and births in L.A. County. The passage of Proposition 31, which banned the sale of certain flavored tobacco products starting November 2022, has reduced state tobacco tax revenues, leading to a further decline in funding for First 5 Commissions, including First 5 LA. The result is a steep decline in projected revenue for Fiscal Year 2022-23 and 2023-24, as well as a significant reduction in the available fund balance by FY 2029.

In response to this revenue impact, we are using the new strategic plan to review and reassess our priorities, short-term and long-term work, and proposed spending. We will continue to apply a diversity, equity, and inclusion lens to ensure our investments are reflective of and responsive to community needs.

As First 5 LA evolves, our work remains informed by experience, learning, and the dynamic context in which we operate. It is clear that our efforts to promote systems change and *build a future where every child is born healthy and thrives in nurturing, safe and loving communities* require substantial time and effort to build the necessary partnerships. We will continue to invest in these efforts while maintaining a focus on sustainability, particularly in light of the recent changes to tobacco tax revenue. This ongoing emphasis will guide our investment decisions to achieve the best outcomes for children and families in our communities.

LOOKING AHEAD

- **Implementation of our 2024-2029 Strategic Plan.** The FY 2024-2025 budget represents resources that will support the first-year implementation of the 2024-2029 Strategic Plan. Completion of year four of the prior Strategic Plan and pivot to the new five-year plan 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. 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 2024-2029 Strategic Plan. 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.

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.

The approach to budgeting at First 5 LA has undergone significant evolution in recent years and will continue to do so, driven by experience, to achieve greater precision, clarity, and transparency. Annually, the Commission adopts a budget that reflects the staff's best estimate of the financial resources needed to advance work in alignment with the strategic direction. The format and approach for the FY 2024-25 Budget signifies ongoing efforts to enhance financial accountability and transparency while maintaining flexibility within the evolving operational landscape of First 5 LA. As First 5 LA experiences declining revenue, the Commission must refine the resources necessary to pursue the goals and strategies outlined in the Strategic Plan. Additionally, it's crucial to assess the alignment of current initiatives with new objectives. The FY 2024-25 Budget underscores the organization's dedication to fiscal responsibility by aligning budget estimates with realistic expenditures.

Long Term Financial Plan

First 5 LA's approach to sustainability involves a multi-year perspective that extends beyond the current budget year. The Board-approved LTFP establishes financial guidelines to focus and discipline First 5 LA's expenditures throughout the 2024-2029 Strategic Plan. The LTFP serves as a framework for multi-year financial planning to manage the ongoing reduction in tobacco revenue. By adopting proactive measures with a long-term view, First 5 LA can responsibly plan for the future and avoid the need for drastic and disruptive cuts.

We will continue to advance Commission priorities with a focus on sustainability and strategic leveraging, while considering the fiscal outlook outlined in the most recent Long-Term Financial Projection (LTFP) and the revised LTFP which will be presented to the Board in FY 2024-25. The revised LTFP will provide an opportunity to adjust spending limits, approved by the Board in July 2020, to align with changes in projected revenue, fund balance, and the new Strategic Plan. This adjustment aims to reflect our fiscal reality, reinforce our role as fiscal stewards, and proactively address potential risks to our long-term success through strategic planning, budgeting, and policy development.

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, 2023. This was the 16th 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
President & CEO

FIRST 5 LA

Commissioners

Holly J. Mitchell, Los Angeles County Supervisor, Chair
Summer McBride, Vice Chair
Robert Byrd, Psy.D.
Alma Cortes
Barbara Ferrer, Ph.D., M.P.H., M.Ed.
Astrid Heger, M.D.
Abigail Marquez
Maricela Ramirez, Ed.D.
Carol Sigala, Ph.D.

Ex-Officio Commissioners

Deanne Tilton Durfee
Jacquelyn McCroskey, DSW
Alejandra Albarran Moses
Brandon T. Nichols, J.D.

Alternate Commissioners

Priya Batra
Mary Romero Barraza
Luis Bautista
Victor Manalo, Ph.D.
Kristin McGuire
Frank Ramos
Sylvia S. Swilley, M.D.
Winnie Wechsler
Julie Taren

President & CEO

Karla Pleitéz Howell, J.D.

Executive Vice President

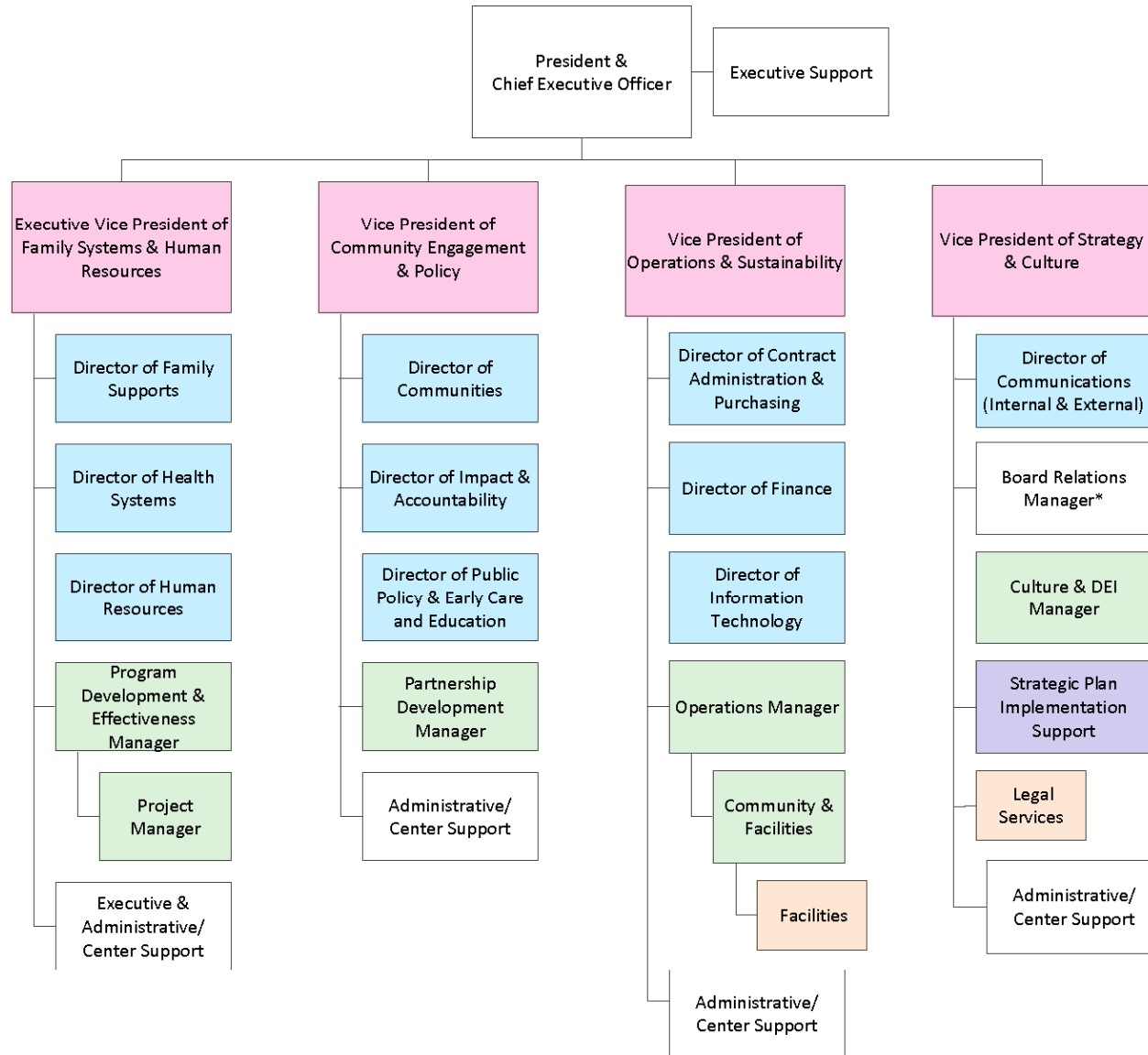
John A. Wagner

Vice President

Teofilo "JR" Nino

Team/Center/Office Directors

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, Impact & Accountability
Raoul Ortega, Finance



- Center Oversight
- Department Oversight
- New Manager Position
- New Function
- Outsourced Function

*Function Already Exists



Government Finance Officers Association

Certificate of
Achievement
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Reporting

Presented to

**First 5 LA
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2024 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, 2024, 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 GAAS, 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 10, 2024, 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.

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

Rancho Cucamonga, California
October 10, 2024

**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, 2024. 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 \$65.6 million in program revenues which include tobacco taxes, Proposition 56 backfill, IMPACT/Hubs funds, Refugee Family Support Grant, Local Entity Program Funding and pass-through funds. Revenues through First 5 California (the State) totaled \$58.7 million, reflecting a 15.8% decrease of \$11.0 million from \$69.7 million in FY 2022-23.
- Commission expenses totaled \$86.8 million in FY 2023-24, representing a 5.6% decrease of \$5.1 million from \$91.9 million in FY 2022-23.
- The Commission’s liabilities decreased from \$21.7 million in FY 2022-23 to \$15.4 million in FY 2023-24, reflecting a total decrease of \$6.3 million or 29.1%.
- The Commission’s total net position decreased from \$292.1 million in FY 2022-23 to \$287.7 million in FY 2023-24, a decline of approximately \$4.4 million, or 1.5%.

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 condensed summary of the Commission's assets, liabilities and net position comparing FY 2023-24 with FY 2022-23:

	FY 2023-24	FY 2022-23	Percent Increase (Decrease)	Increase (Decrease)
Assets:				
Current and other assets	\$289,830,097	\$300,335,306	-3.50%	(\$10,505,209)
Capital assets	13,272,466	13,464,635	-1.43%	(192,169)
Total assets	<u>\$303,102,563</u>	<u>\$313,799,941</u>	<u>-3.41%</u>	<u>(\$10,697,378)</u>
Liabilities:				
Long-term liabilities	\$826,211	\$883,953	-6.53%	(\$57,742)
Other liabilities	14,553,337	20,809,081	-30.06%	(6,255,744)
Total liabilities	<u>\$15,379,548</u>	<u>\$21,693,034</u>	<u>-29.10%</u>	<u>(\$6,313,486)</u>
Net Position:				
Unrestricted	\$274,450,549	\$278,642,272	-1.50%	(\$4,191,723)
Investment in capital assets	13,272,466	13,464,635	-1.43%	(192,169)
Total net position	<u>\$287,723,015</u>	<u>\$292,106,907</u>	<u>-1.50%</u>	<u>(\$4,383,892)</u>
Total liabilities and net position	<u>\$303,102,563</u>	<u>\$313,799,941</u>	<u>-3.41%</u>	<u>(\$10,697,378)</u>

The Commission's FY 2023-24 total assets of \$303.1 million represent a decrease of \$10.7 million, or a 3.4% decline, compared with the prior year. Of this total, the decrease in current and other assets is approximately \$10.5 million. A 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 \$4.4 million, as anticipated.

Total liabilities decreased by \$6.3 million or 29.1% as a result of year-end grantee accruals being significantly lower than in the prior year.

The \$192,169 decrease in capital assets is a result of the organization's incremental start of Phase 2 of its Capital Improvement Project to provide additional physical improvements to the 750 N. Alameda Street building, which will continue into FY 2024-25. The depreciation expense for FY 2023-24 was \$437,195. 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 2023-24 with FY 2022-23:

	FY 2023-24	FY 2022-23	Percent Increase (Decrease)	Increase (Decrease)
Revenues:				
Program revenues				
Tobacco taxes	\$39,331,539	\$47,253,504	-16.76%	(\$7,921,965)
Proposition 56	15,382,483	16,236,701	-5.26%	(854,218)
CA Electronic Cigarette Excise Tax	900,231	1,114,427	-19.22%	(214,196)
State Commission Program Funds	3,083,396	5,109,088	-39.65%	(2,025,692)
Medi-Cal Administrative Activities	0	132,945	-100.00%	(132,945)
Local Entity Program Funding	6,948,184	550,017	1163.27%	6,398,167
Total program revenues	\$65,645,833	\$70,396,682	-6.75%	(\$4,750,849)
General revenues				
Investment income	\$12,965,425	\$9,440,982	37.33%	\$3,524,443
Net increase in fair value of investments	3,805,000	3,649,787	4.25%	\$155,213
Other general income	75	2,500	-97.00%	(\$2,425)
Total general revenues	16,770,500	13,093,269	28.08%	3,677,231
Total revenues	\$82,416,333	\$83,489,951	-1.29%	(\$1,073,618)
Expenses:				
Provider grants and other allocations	\$69,291,109	\$73,000,450	-5.08%	(\$3,709,341)
Salaries and benefits	14,128,762	15,672,576	-9.85%	(1,543,814)
Operating services	1,227,536	1,136,076	8.05%	91,460
Consultant services	1,231,750	1,274,116	-3.33%	(42,366)
Professional services	329,402	293,063	12.40%	36,339
Professional development	79,753	68,743	16.02%	11,010
Other expenses	74,718	66,365	12.59%	8,353
Depreciation	437,195	438,429	-0.28%	(1,234)
Total expenses	\$86,800,225	\$91,949,818	-5.60%	(\$5,149,593)
Change in net position:	(4,383,892)	(8,459,867)	-48.18%	4,075,975
Net position – beginning	292,106,907	300,566,774	-2.81%	(8,459,867)
Net position – ending	\$287,723,015	\$292,106,907	-1.50%	(\$4,383,892)

Revenues

The Commission received a total of roughly \$82.4 million in revenues for FY 2023-24, reflecting a decrease of \$1.1 million, or 1.3% compared with the prior year's total revenues of \$83.5 million. The overall changes in revenue are due to the following:

Tobacco Tax

Tobacco tax revenue decreased from \$47.3 million in FY 2022-23 to \$39.3 million in FY 2023-24, a decrease of roughly \$7.9 million, or 16.8%. Revenue decreased due to an accelerated decline in overall tobacco sales and the enactment of Proposition 31 (SB 793) in November 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 decreased in FY 2023-24 to \$15.4 million compared to \$16.2 million in the prior fiscal year, a decrease of \$854,218 million, or 5.3%. The backfill is received the following fiscal year and the actual amount represented here is for FY 2022-23.

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. CECET revenue of \$900,231 was recognized in FY 2023-24 a decrease of \$214,196 from \$1.1 million in FY 2022-23. This was due to lower consumption of electronic cigarettes and declining birth rates across Los Angeles County.

State Commission Program Funds

State Commission program funds decreased from \$5.1 million in FY 2022-23 to \$3.1 million in FY 2023-24, a decrease of \$2.0 million or 39.7%. This source of revenue was primarily from First 5 CA related programs including IMPACT/Hubs funds and the Refugee Family Support Grant.

Medi-Cal Administrative Activities

The Medi-Cal Administrative Activities (MAA) reported no revenue in FY 2023-24 due to the discontinuation of the program in the prior year. The program, contracted through the County of Los Angeles, assisted in the administration of the Medi-Cal program by improving the availability and accessibility of Medi-Cal services to eligible participants.

Local Entity Program Funding

Local Entity program funding increased from \$550,017 in FY 2022-23 to \$6.9 million in FY 2023-24. This is a significant year-to-year increase of \$6.4 million. This revenue includes grants from Los Angeles County Office of Education (\$2.0 million), Los Angeles County – Department of Mental Health (\$4.58 million), and Los Angeles County – Department of Public Health (\$360,000).

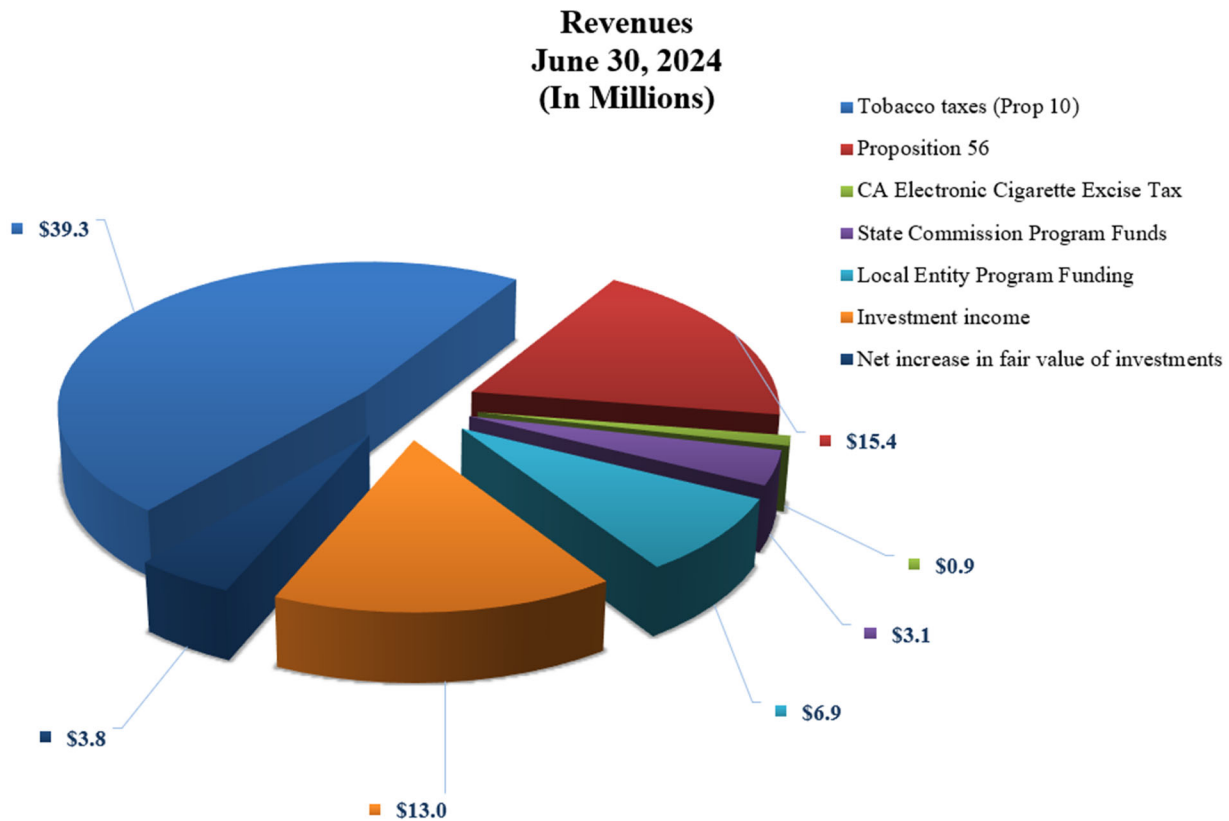
Investment Income

The Commission recognized roughly \$13 million of investment income in FY 2023-24, which was an increase of \$3.5 million, or approximately 37.3%, compared with the \$9.4 million recognized in the prior year. The overall rate of return for FY 2023-24 was 4.02%, an increase of 1.13% over the prior year. This was due to sustained high interest rates over the course of the fiscal year and the continuation of the three-year specific investment with the County of Los Angeles over the course of FY 2023-24, which yielded a 5.16% rate of return.

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 recognized. In FY 2023-24, the fair value of First 5 LA's investment portfolio adjustment increase was roughly \$3.8 million, compared to the \$3.6 million adjustment in FY 2022-23. This increase can be attributed to higher interest rates in the current year and ongoing external macroeconomic factors affecting overall economic health.

The fair value adjustments included an unrealized gain on investments in the County Pooled investment account of approximately \$4.0 million offset by an unrealized loss of \$184,300 for the 3-year specific investment with Los Angeles County.



Expenses

The Commission recognized expenses of \$86.8 million in FY 2023-24 compared with \$91.9 million in FY 2022-23, a decrease of \$5.1 million, or 5.6%. The \$5.1 million net decrease in overall expenses encompasses the following in FY 2023-24:

Provider Grants and Other Allocations

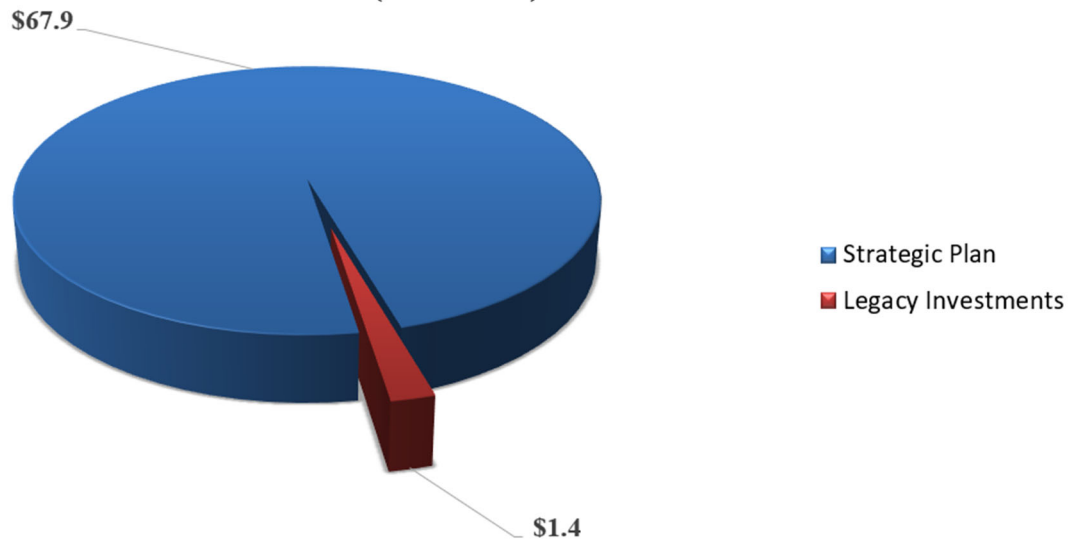
The Commission experienced a decrease of \$3.7 million, or 5.1% in support of "Provider grants and other allocations," spending approximately \$69.3 million in FY 2023-24 compared to \$73.0 million in FY 2022-23. The net decrease is the result of the continued learning and refinement to the work and 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 2023-24 marked the fourth year of the now concluded 2020-2028 Strategic Plan and a transition to the enactment of the 2024-2029 Strategic Plan. Roughly \$67.9 million was expended in FY 2023-24, a decrease of

approximately \$3.2 million or 4.5% as compared to FY 2022-23. 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.

- **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 \$1.4 million of the remaining allocation balance was expended in FY 2023-24 which reflected a \$530,059 decrease or roughly 26.3% from FY 2022-23. This investment, with an original allocation of \$30 million, is anticipated to fully expend by 2025.

**First 5 LA Funded Provider Grants and Other Allocations Expenses
Fiscal Year Ended June 30, 2024
(In Millions)**



Salaries and Benefits

Salaries and Benefits decreased from FY 2022-23 by \$1.5 million or 9.9%. This was primarily due to staff turnover over the course of the fiscal year and the reduction of FTE from 120 to 117.

Operating Services

Operating Services increased by \$91,460 or 8.1% from the prior year due to ongoing inflationary pressures and macroeconomic factors affecting general operating costs, particularly in facilities, maintenance, and utilities.

Consultant Services

The Commission recorded \$1.2 million in expenses for consultant services in FY 2023-24, a 3.3% decrease from FY 2022-23. The decrease is primarily due to the reduced engagement of firms and individuals for assistance in ongoing strategic plan related work, temporary labor support and building management services.

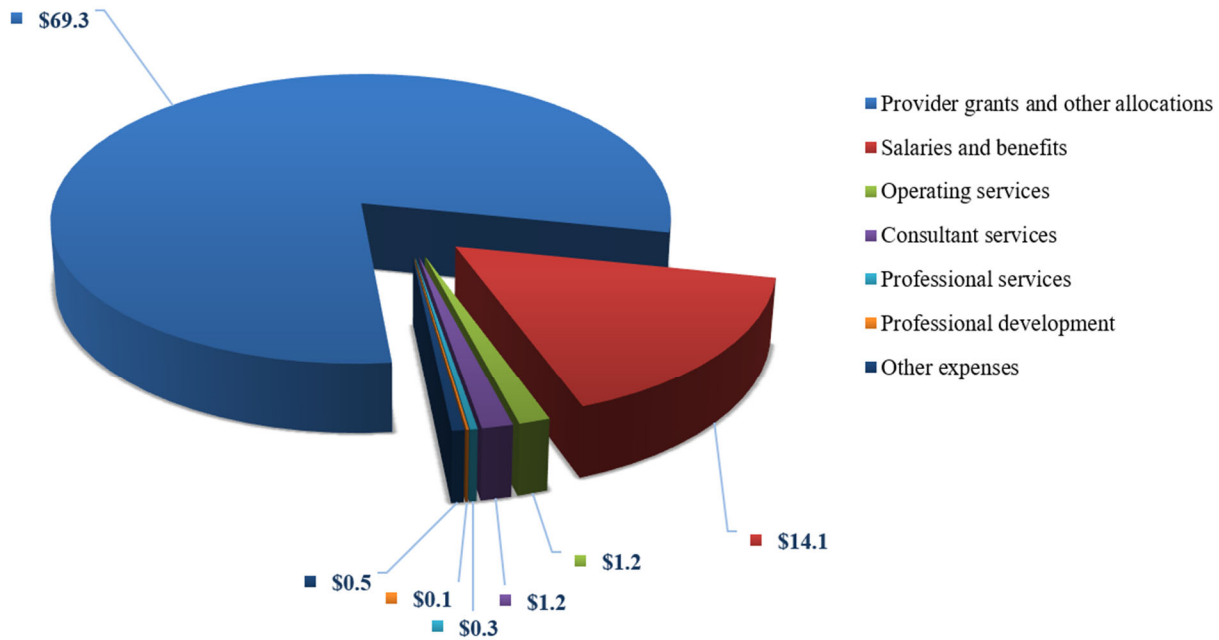
Professional Services

Professional services increased from FY 2022-23 by \$36,339 or 12.4%. The increase is largely due to slight increases in expense for legal, audit and staff recruitment services.

Professional Development

Professional development increased in FY 2023-24 by \$11,010 or 16% from FY 2022-23. The increase is due to a variety of factors, including the increase of staff travel to in-person conferences and development opportunities across the State.

**Program and Operating Expenses
Fiscal Year Ended June 30, 2024
(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 2023-24, the Commission’s general fund reported a total ending fund balance of \$268.7 million, a decrease of \$7 million, or 3% in comparison with the prior fiscal year balance of \$275.7 million.

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

Budgetary Highlights

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

Final Revenue Budget vs. Actual Revenue

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

Tobacco Taxes, Prop 56, and CA Electronic Cigarette Excise Tax (CECET)

Tobacco tax revenue recorded for FY 2023-24 was \$36 million of tobacco tax revenue, \$15.4 million of Proposition 56 backfill, and \$906,273 in CECET revenue. The total combined amount of \$52.3 million was approximately \$4.3 million or 7.6% lower than the anticipated amount of \$56.7 million. The original estimate of \$56.7 million was based on data provided by the California Department of Tax and Fee Administration, updated January 2024.

Other Program Revenue

Other program revenue, including Local Entity Program Funding and State Commission Program Funds, recorded for FY 2023-24 was \$10.3 million which is close to the \$10.3 million estimated in the Long-Term Financial Plan approved by the Commission in June of 2024. The other revenue category includes funding from First 5 California, the Los Angeles County Department of Mental Health (DMH), and Los Angeles County Department of Public Health (DPH).

Investment Income

Investment income of \$13.2 million was recognized in FY 2023-24. The monthly average return of 4.02% is higher than the 1.3% anticipated and included in the Long-Term Financial Projection approved by the Commission in June 2024. 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 2024, the Commission received and filed the proposed mid-year adjustments to the FY 2023-24 budget, increasing the original approved \$99.1 million budget by \$2.0 million or 2.0%. This streamlined approach, presented to the board and approved in November 2023, 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 full transparency of the detailed spending plan and adherence to the board-approved annual spending limit. Materials shared for board review were comparable to those shared in previous years. Like the previous four years, the net change to the original board-approved budget for FY 2023-24 was less than 3%. The following provides a brief summary of the primary factors that contributed to the increase in the final budgeted expenditures compared with the original budgeted expenditures:

Provider Grants and Other Allocations

The overall Program Budget (Provider Grants and Other Allocations) was adjusted upward during the year by \$2.0 million or 2.6%. In February 2024, through the process of receiving and filing, the Commission agreed to a mid-year revised budget adjusting Early Care & Education upward by a net \$2 million. The increase to the Early Care & Education Systems budget is due to the receipt of funds from the Los Angeles County Office of Education (LACOE). In November 2023, the Board authorized the receipt of \$2,000,000 from LACOE to expand implementation of the QSLA Dual Language Learner (DLL) Communications Campaign, whose intent is to widely disseminate key messages about the benefits of bilingualism and the value of home language use, and encourage families, programs, and communities to prioritize children's bilingual development. In addition to the budget adjustment in response to the receipt of funds, there were other cost neutral adjustments within ECE. One cost neutral

adjustment was a \$5,000 increase to the Provider Advisory Group project budget due to a potential increased need for translation and honorariums, with a proportional reduction in the Kindergarten Readiness budget due to lower than anticipated spending. There was also a shift of \$500,000, reducing the proposed spending in the IMPACT Legacy budget and increasing the QSLA Database budget to cover the cost of the database. The QSLA Impact line reflects funds pulled down from the state funding streams IMPACT and HUB.

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 2023-24 was approximately \$11.1 million lower than anticipated spending in FY 2023-24 due to several interrelated factors. First, there were incremental reductions in spending across many projects, with specific activities like Help Me Grow and African American Infant and Maternal Mortality (AAIMM) scaling down as direct funding and partnership activities decreased. Second, fewer memberships and reduced funds needed for advocacy partners led to lower expenditures. Third, underspending was further exacerbated by understaffing in a few departments and an overall organizational shift in priorities toward developing and transitioning to a new strategic plan, resulting in postponed objectives and delays in the timeline for several activities. And finally, new external funds were received to offset some budgeted costs.

Salaries and Benefits

Salary and Benefit costs were lower than budgeted, with a total variance of \$2.1 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 \$275,459. Below is an analysis of the significant activities comprising this variance:

Utilities

Utilities expenses were higher than budgeted, with a variance of \$24,022. This is due to macroeconomic factors including higher energy prices and a full year of staff working hybrid in the office building, which all yielded higher than anticipated costs.

Mileage and Parking

Mileage and parking costs were lower than budgeted, with a variance of \$19,200. This is informed by staff turnover and vacant positions, and varying staff travel trends.

Telephones and Modems

Telephones, modems and related expenses were lower, with a savings of \$8,577. 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 \$21,300. 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 \$46,968. This is due to hybrid work and lower utilization of the building and offices for meetings, as well as the increased utilization of digital applications and platforms to bypass traditional means for documentation and storage.

Building Repairs and Maintenance

Building repairs and maintenance expenses were below the final budget by \$17,478. Maintenance costs were lower than anticipated due to the upgrades performed to the building before staff returned to the office for full hybrid work in FY 2023-24.

Hardware & Software Maintenance

Hardware & Software Maintenance was lower than budgeted with a variance of \$123,237. This is primarily due to fewer software subscriptions and applications that were not utilized in FY 2023-24 which resulted in cost savings.

Miscellaneous/Contingency

Miscellaneous and Contingency expenses came in below budget by \$30,974 for FY 2023-24. 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 \$43,548. This is due to hybrid work promoting fewer in-person meetings.

Division Capacity Building

Division Capacity Building spending was \$8,240 below budget. 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.

Consultant Services

Consultant services costs came in under budget by \$517,750. The variance is primarily the result of a lower anticipated need for consultants.

Professional Services

Professional services costs came in under budget for a total savings of \$156,968. 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 \$204,958 in cost savings coincides with the ongoing use of virtual meetings, in addition to lower levels of travel for a variety of uses, including professional development, in-person conferences and offsite meetings.

Professional Development

Professional Development expenditures were \$246,727 less than the final budget. This is a result of continuing to leverage virtual opportunities for professional development at a fraction of the price of in-person trainings, as well as 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 of Proposition 10 funding have assumed a 3-5% rate of revenue decline on an annual basis over the last several years. However, approval of the ballot measure prohibiting the sale of certain flavored tobacco, Proposition 31, resulted in an accelerated decline in First 5 LA's Proposition 10 tobacco tax funding for FY 2022-23 and FY 2023-24. Based on the most recent forecast from the Department of Finance (DOF) and the California Department of Tax and Fee Administration (CDTFA) updated January 2024, which was adjusted in response to Proposition 31, following two years of higher-than-average decline in revenues, the future rate of decline is anticipated to return to the average state of 3-5% rate of revenue decline per year.

The long-term impact to our primary source of funding, and ever-changing tobacco tax legislation, will require us to revisit the established spending limits. These long-term spending limits will be informed by the impact of Proposition 31 and the new strategic plan implementation process. A revised long-term financial plan will be shared with the First 5 LA Commission for review and approval in FY 2024-25. The revised LTFP should allow us to continue manage the transition to a more sustainable spending plan with greater alignment to the new strategic plan and evolving fiscal realities.

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

Contacting the Commission's Financial Management

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

Los Angeles County Children and Families First – Proposition 10 Commission
Statement of Net Position and Governmental Fund Balance Sheet
June 30, 2024

	General Fund	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash and investments	\$ 277,109,498	\$ -	\$ 277,109,498
State receivable	11,214,745	-	11,214,745
Interest receivable	1,139,881	-	1,139,881
Advances to grantees	365,973	-	365,973
Capital assets			
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	11,233,466	11,233,466
Total assets	\$ 289,830,097	\$ 13,272,466	\$ 303,102,563
Liabilities			
Accounts payable and accrued liabilities	\$ 14,405,489	\$ -	\$ 14,405,489
Compensated absences			
Due within one year	-	147,848	147,848
Due in more than one year	-	826,211	826,211
Total liabilities	14,405,489	974,059	15,379,548
Deferred Inflows of Resources			
Unavailable revenue	6,754,348	(6,754,348)	-
Total deferred inflows of resources	6,754,348	(6,754,348)	-
Fund Balance/Net Position			
Fund balance			
Nonspendable	365,973	(365,973)	-
Committed	72,416,202	(72,416,202)	-
Assigned	128,490,922	(128,490,922)	-
Unassigned	67,397,163	(67,397,163)	-
Total fund balance	268,670,260	(268,670,260)	-
Net position			
Investment in capital assets	-	13,272,466	13,272,466
Unrestricted	-	274,450,549	274,450,549
Total net position	-	287,723,015	287,723,015
Total liabilities, deferred inflows of resources and fund balance/net position	\$ 289,830,097	\$ 13,272,466	\$ 303,102,563

Los Angeles County Children and Families First – Proposition 10 Commission
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2024

	General Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Program revenues			
Operating grants and contributions			
Tobacco taxes	\$ 36,053,911	\$ 3,277,628	\$ 39,331,539
Proposition 56	15,382,483	-	15,382,483
CA Electronic Cigarette Excise Tax	906,273	(6,042)	900,231
State Commission Program Funds	4,550,388	(1,466,992)	3,083,396
Local Entity Program Funding	5,718,128	1,230,056	6,948,184
Total program revenues	<u>62,611,183</u>	<u>3,034,650</u>	<u>65,645,833</u>
General revenues			
Investment income	13,204,033	(238,608)	12,965,425
Net increase in fair value of investments	3,805,000	-	3,805,000
Other general income	75	-	75
Total general revenues	<u>17,009,108</u>	<u>(238,608)</u>	<u>16,770,500</u>
Total revenues	<u>79,620,291</u>	<u>2,796,042</u>	<u>82,416,333</u>
Expenditures/expenses			
Provider grants and other allocations	69,291,109	-	69,291,109
Salaries and benefits	14,159,195	(30,433)	14,128,762
Operating services	1,227,536	-	1,227,536
Consultant services	1,231,750	-	1,231,750
Professional services	329,402	-	329,402
Professional development	79,753	-	79,753
Travel	74,718	-	74,718
Capital outlay	245,026	(245,026)	-
Depreciation	-	437,195	437,195
Total expenditures/expenses	<u>86,638,489</u>	<u>161,736</u>	<u>86,800,225</u>
Net change in fund balance	<u>(7,018,198)</u>	<u>7,018,198</u>	<u>-</u>
Change in Net Position	-	(4,383,892)	(4,383,892)
Fund Balance/Net Position			
Beginning of Year	<u>275,688,458</u>	<u>16,418,449</u>	<u>292,106,907</u>
End of Year	<u>\$ 268,670,260</u>	<u>\$ 19,052,755</u>	<u>\$ 287,723,015</u>

Note 1 - Organization and Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with operation of the Commission's fund are included on the statement of net position. The statement of activities presents a comparison of the direct expenses and program revenues for the Commission's governmental activities. Program revenues include grants and contributions restricted for the operational requirements of a particular program. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Program revenues include tobacco taxes, proposition 56 taxes, CA Electronic Cigarette Excise 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, 2024, the Commission reported unrestricted net position of \$274,450,549.

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 \$13,272,466 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 \$245,026 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, 2024 amounted to \$437,195 and is included in the government-wide financial statements.

b. Long-Term Liabilities

As of June 30, 2024, the Commission estimated its liability for vested compensated absences to be \$974,059. 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 \$30,433 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, 2024, the Commission has unavailable revenues of \$6,754,348. The change in unavailable revenue during the year of \$2,796,042 is reported in the statement of activities and is presented in the adjustments column on page 17 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, 2024:

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, 2024, 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. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus*. The objectives of this Statement are to enhance comparability in accounting 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 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. The Commission has determined that there was no material impact on the Commission’s financial statements.

GASB Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. 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. 101 – *Compensated Absences*

GASB Statement No. 102 – *Certain Risk Disclosures*

GASB Statement No. 103 – *Financial Reporting Model Improvements*

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.

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2024

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 2023-24, the Commission entered into agreements with various grantees to support the Commission’s 2024-2029 Strategic Plan. The Commission has the following outstanding advances to grantees as of June 30, 2024.

Advances to Grantees	
Para Los Ninos	\$ 143,812
The Nonprofit Partnership	43,295
El Nido Family Centers	37,912
Community Health Councils	82,087
Martin Luther King	58,867
	<hr/>
Total advances to grantees	\$ 365,973
	<hr/> <hr/>

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. Subscription-Based Information Technology Arrangements (SBITAs) with a cost in excess of \$10,000 and with a period equal to one year or greater are capitalized. 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. SBITAs are amortized over the term of the agreement.

Deferred Inflows of Resources

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

Use of Estimates

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

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2024

Note 2 - Cash and Investments

Total cash and investments at fair value, as of June 30, 2024 are as follows:

Cash	
Cash in bank	<u>\$ 3,433,435</u>
Investments	
Investments with County Treasurer	
Pooled cash and investments	139,860,363
3 Year Specific Investments	<u>133,815,700</u>
Total investments	<u>273,676,063</u>
Total cash and investments	<u><u>\$ 277,109,498</u></u>

Cash in Bank

The California Government Code requires California banks and savings and loan associations to secure the Commission's deposits by pledging government securities as collateral. The 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, 2024, cash held by financial institutions of \$4,596,064 was entirely insured and collateralized as described above. The book balance at June 30, 2024 was \$3,433,435.

Investments

Investments with the Los Angeles County Treasurer at June 30, 2024 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, 2024, the remaining maturity for the County pool approximated 668 days and the County pool is not rated.

For further information regarding the Los Angeles County Investment Pool, refer to the County of Los Angeles Annual Comprehensive Financial Report.

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2024

The Commission had the following investments and maturities at June 30, 2024:

Investment Type	Investment Maturities (in Months)			Total
	12 Months or Less	13 to 24 Months	25 to 36 Months	
Investments with County Treasurer				
3 Year Specific Investments				
Federal Agencies	\$ -	\$ 133,815,700	\$ -	\$ 133,815,700
Pooled Cash and Investments	<u>139,860,363</u>	<u>-</u>	<u>-</u>	<u>139,860,363</u>
Total investments	<u>\$ 139,860,363</u>	<u>\$ 133,815,700</u>	<u>\$ -</u>	<u>\$ 273,676,063</u>

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, 2024:

Investment Type	Level 1	Level 2	Level 3	Fair Value
Investments with County Treasurer				
3 Year Specific Investment				
Federal Agencies	\$ -	\$ 133,815,700	\$ -	\$ 133,815,700
Investments not Levelled				
Investments with County Treasurer				
Pooled Cash and Investments				<u>139,860,363</u>
Total investments				<u>\$ 273,676,063</u>

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, 2024 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 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	\$83,962,200	31%
The Federal Home Loan Mortgage Corporation (FHLMC)	Federal Agencies	49,853,500	18%

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, 2024, 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.

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2024

Note 3 - Capital Assets

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Capital assets, not depreciated				
Land	\$ 2,039,000	\$ -	\$ -	\$ 2,039,000
Capital assets, depreciable				
Building and improvements	15,822,441	148,358	-	15,970,799
Computer software and accessories	2,262,881	96,668	-	2,359,549
Office equipment	346,046	-	-	346,046
Furniture and fixtures	627,670	-	-	627,670
Total depreciable capital assets	19,059,038	245,026	-	19,304,064
Less accumulated depreciation				
Building and improvements	(4,570,809)	(358,145)	-	(4,928,954)
Computer software and accessories	(2,102,392)	(76,048)	-	(2,178,440)
Office equipment	(332,533)	(3,002)	-	(335,535)
Furniture and fixtures	(627,669)	-	-	(627,669)
Total accumulated depreciation	(7,633,403)	(437,195)	-	(8,070,598)
Total capital assets, depreciable (Net)	11,425,635	(192,169)	-	11,233,466
Capital assets, net	\$ 13,464,635	\$ (192,169)	\$ -	\$ 13,272,466

Note 4 - Changes in Compensated Absences

Compensated absences liability activities for the year ended June 30, 2024 is as follows:

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024	Due Within One Year
Compensated absences	\$ 1,004,492	\$ 684,382	\$ (714,815)	\$ 974,059	\$ 147,848

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2024

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, 2024 consists of the following:

Initiative/Program Allocation	Nonspendable
Advances	
Para Los Ninos	\$ 143,812
The Nonprofit Partnership	43,295
El Nido Family Centers	37,912
Community Health Councils	82,087
Martin Luther King	58,867
Total nonspendable	365,973
	Committed
Annual Reporting	63,000
Capital Project Fund	2,231,277
Center Support	390,000
Children's Data Network (CDN)	706,000
Communities	12,502,000
Data Agenda	250,000
Data Requests	5,000
Early Care & Education	5,585,940
Early Childhood Policy and Advocacy Fund	3,600,000
Emerging Opportunities Fund	150,000
Family Supports	36,597,160
Health Systems	2,383,000
Impact Framework	153,000
Little by Little/One Step Ahead	2,579,000
Organizational Memberships	160,000
Organization-Wide Partnerships	160,000
Organization-Wide Sponsorships	275,000
Policy Advocacy Fund Technical Assistance Provider	535,000
Policy Advocacy Stakeholder Engagement	160,000
State Policy and Sustainability Advocate	300,000
Strategic Communications	1,417,825
Strategic Communications Partnerships	200,000
Strategic Marketing	1,100,000
Strategic Plan Advocacy Strategies	590,000
WIC Data Mining Research Partnership	323,000
Total committed	72,416,202

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2024

Initiative/Program Allocation

	Assigned
Strategic Plan	<u>\$ 128,490,922</u>
Total assigned	<u>128,490,922</u>
	Unassigned
Total unassigned	<u>67,397,163</u>
Total fund balance	<u><u>\$ 268,670,260</u></u>

Note 6 - Program Evaluation

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

The Commission spent \$2,090,695 on program evaluation during the year ended June 30, 2024.

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 \$753,478, comprised of \$275,842 in elective contribution and \$477,636 in non-elective contribution for the fiscal year ended June 30, 2024.

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	
Tobacco Taxes	\$ 3,277,628
CA Electronic Cigarette Excise Tax	240,000
LACOE IMPACT	1,081,372
Home Visiting Coordination Program	1,574,265
Investment Income	<u>581,083</u>
Total unavailable revenue	<u>\$ 6,754,348</u>

Note 9 - Risk Management

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

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

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

Note 10 - Related Party Transactions

The Commission incurred expenditures totaling \$11,919 for County of Los Angeles services provided during the year ended June 30, 2024.

In the fiscal year, the Commission incurred \$48,680,505 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, 2024, amounts of \$7,738,712 are included in accounts payable to these organizations.

Note 11 - First 5 California Signature Programs

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

The purpose of IMPACT is to support a network of local quality improvement systems to better coordinate, assesses, and improve the quality of early learning settings to achieve the goal of helping children ages 0 to 5 and their families thrive by increasing the number of high-quality early learning settings, including supporting and engaging families in the early learning process. Funding is to center around continuous quality improvement, including a network of local Quality Rating and Improving System (QRIS). All IMPACT funds require a local match based on county size. For the Commission, a one-to-one match ratio or a dollar of local funding match with a dollar of IMPACT fund is required. The Commission claimed \$1,983,793 in IMPACT Regional Coordination and Training reimbursable expenditures for the year ended June 30, 2024.

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 \$667,449 in IMPACT Technical Assistance Hubs reimbursable expenditures for the year ended June 30, 2024.

Required Supplementary Information
June 30, 2024

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

Los Angeles County Children and Families First – Proposition 10 Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Increase (Decrease)
Revenues				
Tobacco Taxes	\$ 58,806,335	\$ 56,668,557	\$ 36,053,911	\$ (20,614,646)
Proposition 56	-	-	15,382,483	15,382,483
CA Electronic Cigarette Excise Tax	-	-	906,273	906,273
State Commission Program Funds	-	-	4,550,388	4,550,388
Local Entity Program Funding	-	-	5,718,128	5,718,128
Investment Income	3,944,358	4,330,413	13,204,033	8,873,620
Net Increase in Fair Value of Investments	-	-	3,805,000	3,805,000
Other General Income	8,288,000	10,288,000	75	(10,287,925)
Total revenues	71,038,693	71,286,970	79,620,291	8,333,321
Expenditures				
Program Costs				
Provider Grants and Other Allocations	78,370,282	80,370,282	69,291,109	11,079,173
Operations & Administration				
Salaries and Benefits				
Salaries and Wages	12,274,806	12,274,806	10,706,322	1,568,484
Fringe Benefits	3,996,716	3,996,716	3,452,873	543,843
Total salaries and benefits	16,271,522	16,271,522	14,159,195	2,112,327
Operating Services				
ADP Payroll Charges	42,000	42,000	35,734	6,266
Workers' Compensation Insurance	45,000	45,000	60,404	(15,404)
Utilities	170,000	170,000	194,022	(24,022)
Corporate Insurance	113,300	113,300	128,006	(14,706)
Mileage and Parking	28,825	28,825	9,625	19,200
Telephones and Modems	71,600	71,600	63,023	8,577
Cell Phones and Mobile Devices	122,000	122,000	100,700	21,300
Outside Printing	1,450	1,450	193	1,257
Other Supplies	6,250	6,250	9,698	(3,448)
Postage and Delivery	6,000	6,000	1,514	4,486
Educational Supplies	3,850	3,850	285	3,565
Office Supplies	63,655	63,655	16,687	46,968
Subscriptions and Publications	28,325	28,325	26,221	2,104
Equipment Rental	13,000	13,000	21,812	(8,812)
Building Repairs and Maintenance	185,000	185,000	167,522	17,478
Equipment Repairs and Maintenance	7,500	7,500	-	7,500
Offsite Storage	5,500	5,500	10,849	(5,349)
Hardware and Software Maintenance	394,000	406,500	283,263	123,237
Miscellaneous/Contingency	60,000	60,000	29,026	30,974
Stipend/Honorarium	2,500	2,500	-	2,500
Internal Meetings	99,240	100,740	57,192	43,548
Division Capacity Building	20,000	20,000	11,760	8,240
Total operating services	1,488,995	1,502,995	1,227,536	275,459

Los Angeles County Children and Families First – Proposition 10 Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance Increase (Decrease)
Consultant Services				
Consultant Fees	\$ 1,462,500	\$ 1,458,500	\$ 936,939	\$ 521,561
Other Professional Fees	291,000	291,000	294,811	(3,811)
Total consultant services	<u>1,753,500</u>	<u>1,749,500</u>	<u>1,231,750</u>	<u>517,750</u>
Professional Services				
Audit	72,000	72,000	81,908	(9,908)
Legal	225,000	225,000	151,615	73,385
Professional Dues	55,370	55,370	48,106	7,264
Staff Recruitment	15,000	15,000	2,089	12,911
Commission Stipends	20,000	20,000	11,700	8,300
Web-Based Services	88,000	88,000	22,065	65,935
Bank & Other Service Charges	11,000	11,000	11,919	(919)
Total professional services	<u>486,370</u>	<u>486,370</u>	<u>329,402</u>	<u>156,968</u>
Travel				
Airfare	107,562	109,562	29,478	80,084
Lodging	104,354	106,354	28,820	77,534
Per Diem	47,602	49,602	11,430	38,172
Other Travel Expense	12,158	14,158	4,990	9,168
Total travel and meetings	<u>271,676</u>	<u>279,676</u>	<u>74,718</u>	<u>204,958</u>
Professional Development				
Training Materials & Supplies	15,780	15,780	-	15,780
In-house Training	77,200	57,200	-	57,200
Leadership Programs	81,500	83,500	26,490	57,010
Conference Registrations	112,300	114,300	51,099	63,201
Outside Education	57,700	55,700	2,164	53,536
Total professional development	<u>344,480</u>	<u>326,480</u>	<u>79,753</u>	<u>246,727</u>
Capital Outlay	<u>130,000</u>	<u>130,000</u>	<u>245,026</u>	<u>(115,026)</u>
Total operating expenditures	<u>20,746,543</u>	<u>20,746,543</u>	<u>17,347,380</u>	<u>3,399,163</u>
Total program costs and operating expenditures	<u>99,116,825</u>	<u>101,116,825</u>	<u>86,638,489</u>	<u>14,478,336</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (28,078,132)</u>	<u>\$ (29,829,855)</u>	(7,018,198)	<u>\$ 22,811,657</u>
Fund balance - Beginning of year			<u>275,688,458</u>	
Fund balance - End of year			<u>\$ 268,670,260</u>	

Note 1 – Budget Adoption

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

The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund includes the budgeted expenditures for the year, along with management’s estimate of revenues for the year. The legal level of budgetary control is at the total fund level. The total final budget for fiscal year 2023-24 was \$101 million, which included \$80 million for Program costs and \$21 million for Operating and Administrative costs.

Other Supplementary Information

June 30, 2024

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

Los Angeles County Children and Families First – Proposition 10 Commission
 Schedule of First 5 California Funding
 For the Year Ended June 30, 2024

<u>Program</u>	<u>Source</u>	<u>Revenue Funds</u>	<u>Expenditures</u>
IMPACT Regional Coordination and Training	First 5 California	\$ 1,983,793	\$ 1,983,793
Technical Assistance Hubs (Hubs)	First 5 California	667,449	667,449

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

	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.	37-40
Revenue Capacity	
These schedules contain trend information to help the reader assess the Commission's most significant revenue base.	41-43
Demographic Information	
These schedules offer economic and demographic indicators to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.	44-46
Operating Information	
This schedule contains infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the Commission performs.	47-48

Sources:

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

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

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Unrestricted	\$ 274,450,549	\$ 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
Investment in capital asset	13,272,466	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
Total net position	\$ 287,723,015	\$ 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

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

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018*	2017	2016	2015
Revenues										
Tobacco taxes*	\$ 39,331,539	\$ 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
Prop. 56	15,382,483	16,236,701	18,534,434	18,215,617	18,068,329	7,482,310	-	-	-	-
CA Electronic Cigarette Excise Tax	900,231	1,114,427	-	-	-	-	-	-	-	-
State Commission Program Funds	3,083,396	5,109,088	3,574,885	2,469,410	922,472	13,986,085	896,040	556,665	5,796,252	10,283,414
Medi-Cal Administrative Activities	-	132,945	189,125	80,319	133,955	350,924	181,859	137,599	159,549	80,799
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	-	-	-
Local Entity Program Funding	6,948,184	550,017	811,368	522,406	584,118	123,793	1,016,683	401,956	115,000	-
Investment income	12,965,425	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
Net increase (decrease) in FMV of investments	3,805,000	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	75	2,500	18,000	121,894	110,899	133,321	148,135	122,208	119,100	104,072
Total revenues:	\$ 82,416,333	\$ 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
Expenses										
Provider grants and other allocations	\$ 69,291,109	\$ 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
Pass-through grants	-	-	-	-	65,042	273,294	136,877	4,150,975	13,519,735	N/A
Salaries and benefits	14,128,762	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
Operating services	1,227,536	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
Consultant services	1,231,750	1,274,116	1,343,030	905,278	1,308,527	881,090	850,154	999,806	990,724	1,216,609
Professional services	329,402	293,063	327,245	426,218	323,816	382,450	500,050	346,529	323,336	404,560
Professional development	79,753	68,743	113,106	61,235	176,217	186,902	166,975	-	-	-
Other expenses	74,718	66,365	2,087	86	224,934	339,524	273,951	358,346	255,453	264,892
Depreciation	437,195	438,429	399,451	309,554	300,441	302,300	312,988	309,327	316,567	322,346
Total expenses:	\$ 86,800,225	\$ 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
Change in net position	\$ (4,383,892)	\$ (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)

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

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

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

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fund Balance										
Nonspendable	\$ 365,973	\$ 484,581	\$ 884,546	\$ 2,239,303	\$ 2,193,116	\$ 50,000	\$ 1,044,000	\$ 19,760,505	\$ 34,279,475	\$ 39,411,636
Committed	72,416,202	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
Assigned	128,490,922	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
Unassigned	67,397,163	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
Total Fund Balance	<u>\$ 268,670,260</u>	<u>\$ 275,688,458</u>	<u>\$ 287,846,582</u>	<u>\$ 316,422,237</u>	<u>\$ 338,683,806</u>	<u>\$ 352,109,768</u>	<u>\$ 379,419,674</u>	<u>\$ 422,139,017</u>	<u>\$ 460,076,176</u>	<u>\$ 536,628,004</u>

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

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues										
Tobacco taxes*	\$ 36,053,911	\$ 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
Prop. 56	15,382,483	16,236,701	18,534,434	18,215,617	18,068,329	7,482,310	-	-	-	-
State School Readiness	-	-	-	-	-	-	-	-	-	-
CA Electronic Cigarette Excise Tax	906,273	868,385	-	-	-	-	-	-	-	-
State Commission Program Funds	4,550,388	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
Medi-Cal Administrative Activities	-	132,945	189,125	80,319	133,955	350,924	181,859	137,599	159,549	80,799
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	-	-	-
Local Entity Program Funding	5,718,128	1,153,255	861,659	531,868	320,982	123,793	1,016,683	401,956	115,000	-
Investment income	13,204,033	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
Net increase (decrease) in FMV of investments	3,805,000	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	75	2,500	18,000	105,414	110,899	133,321	148,135	122,208	119,100	104,072
Total revenues:	\$ 79,620,291	\$ 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
Expenditures:										
Provider grants and other allocations	\$ 69,291,109	\$ 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
Pass-through grants	-	-	-	-	65,042	273,294	136,877	4,150,975	13,519,735	N/A
AB 99	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First 5 California (SRI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Salaries and benefits	14,159,195	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
Operating services	1,227,536	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
Consultant services	1,231,750	1,274,116	1,343,030	905,278	1,308,527	881,090	850,154	999,806	990,724	1,216,609
Professional services	329,402	293,063	327,245	426,218	323,816	382,450	500,050	346,529	323,336	404,560
Professional development	79,753	68,743	113,106	61,235	176,217	186,902	166,975	-	-	-
Other expenses	74,718	66,365	2,087	86	224,934	339,524	273,951	358,346	255,453	264,892
Capital outlay	245,026	1,022,833	2,885,259	75,944	87,095	302,300	312,988	309,327	316,567	124,949
Total expenditures:	\$ 86,638,489	\$ 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
Excess of revenues over expenditures	\$ (7,018,198)	\$ (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)

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

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

Los Angeles County Children and Families First – Proposition 10 Commission
 First 5 California County Tax Revenue Projections
 for FY 2023-2024 – FY 2027-2028

<u>2022*</u> <u>Projected</u> <u>Births</u>	<u>2022*</u> <u>Projected</u> <u>Birthrate</u>	<u>2023-2024*</u> <u>Tax Revenue</u> <u>Projection</u>	<u>2022</u> <u>Projected</u> <u>Births</u>	<u>2022</u> <u>Projected</u> <u>Birthrate</u>	<u>2024-2025</u> <u>Tax Revenue</u> <u>Projection</u>	<u>2023</u> <u>Projected</u> <u>Births</u>	<u>2023</u> <u>Projected</u> <u>Birthrate</u>	<u>2025-2026</u> <u>Tax Revenue</u> <u>Projection</u>	<u>2024</u> <u>Projected</u> <u>Births</u>	<u>2024</u> <u>Projected</u> <u>Birthrate</u>	<u>2026-2027</u> <u>Tax Revenue</u> <u>Projection</u>	<u>2025</u> <u>Projected</u> <u>Births</u>	<u>2025</u> <u>Projected</u> <u>Birthrate</u>	<u>2027-2028</u> <u>Tax Revenue</u> <u>Projection</u>
95,478	22.744%	\$ 56,668,557	95,478	22.744%	\$ 54,553,223	93,528	22.971%	\$ 53,494,485	94,338	23.092%	\$ 52,209,117	94,040	23.002%	\$ 50,547,962

Source:

"First 5 California County Tax Revenue Projections for FY 2023-24 through 2027-28"

*(Last Updated 3/08/24 Utilizing DOF May 2024 Updated Tobacco Tax Revenue Projections and DOF Birth Projections for California State and Counties 2020-2060)

Los Angeles County Children and Families First – Proposition 10 Commission
Cigarette Taxes and Other Tobacco Products Surtax Revenue
by Fiscal Year, 1959-60 to 2022-2023
(In thousands of dollars)

Fiscal year	Cigarette tax			Other tobacco products surtax		
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate
2022-23	1,332,672,000	3,959,000	1,336,630,000	1,796,000	267,494,000	61.74%
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 d/	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 f/	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 h/	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 i/	6,581,000	776,623,000	11,615,000	24,956,000 h/	37.47%
1988-89	499,712,000 i/	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		

Los Angeles County Children and Families First – Proposition 10 Commission
Cigarette Taxes and Other Tobacco Products Surtax Revenue
by Fiscal Year, 1959-60 to 2022-2023
(In thousands of dollars)

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate
1977-78	275,042,000	2,352,000	277,394,000	1,239,000		
1976-77	270,502,000	2,315,000	272,817,000	832,000		
1975-76	269,852,000	2,309,000	272,161,000	927,000		
1974-75	264,182,000	2,262,000	266,444,000	745,000		
1973-74	259,738,000	2,222,000	261,960,000	632,000		
1972-73	253,089,000	2,167,000	255,256,000	626,000		
1971-72	248,398,000	2,127,000	250,525,000	677,000		
1970-71	240,372,000	2,058,000	242,430,000	552,000		
1969-70	237,220,000	2,032,000	239,253,000	455,000		
1968-69	238,836,000	2,046,000	240,882,000	492,000		
1967-68	208,125,000 ^{j/}	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 ^{k/}	1,675,000 ^{l/}	67,726,000	76,000		
1959-60	61,791,000 ^{m/}	767,000 ^{m/}	62,558,000	67,000		

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

Footnotes

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

Los Angeles County Children and Families First – Proposition 10 Commission

Demographic Data and Economic Statistic

Demographic Data

	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)*	2021 (1)	2022 (1)	2023 (1)
Total Population	10,126,977	10,181,066	10,215,207	10,261,736	10,278,836	10,324,698	10,013,543	9,905,214	9,792,167	9,750,065
White	2,745,389	2,742,057	2,734,611	2,732,047	2,722,365	2,724,168	2,550,540	2,522,938	2,494,151	2,483,423
Black	834,117	833,564	831,614	831,069	828,565	832,355	795,612	786,999	778,033	774,678
American Indian	19,959	20,027	20,093	20,175	20,229	20,410	18,784	18,587	18,372	18,288
Asian	1,372,821	1,381,892	1,385,913	1,393,055	1,395,155	1,395,377	1,505,832	1,489,534	1,472,534	1,466,206
Native Hawaiian & Other Pacific Islander	24,085	24,189	24,289	24,403	24,476	24,597	22,043	21,810	21,565	21,481
Hispanic or Latino	4,934,442	4,979,470	5,015,652	5,054,516	5,078,483	5,114,541	4,893,290	4,840,349	4,785,108	4,764,535
Multi-race	196,164	199,867	203,035	206,471	209,563	209,563	227,442	224,997	222,404	221,454
Female	5,127,633	5,155,652	5,175,095	5,201,009	5,210,549	5,232,284	5,059,515	5,005,021	4,948,330	4,922,159
Male	4,999,344	5,025,414	5,040,112	5,060,727	5,068,287	5,092,414	4,954,028	4,900,193	4,843,837	4,827,906
Under 5 years	646,206	645,034	634,158	624,988	607,092	587,690	556,519	524,909	497,458	478,251
5-9 years	644,459	643,497	644,771	640,576	636,547	637,200	643,568	625,597	611,410	587,750
10-14 years	637,498	632,422	629,523	634,291	637,463	638,667	648,435	645,660	636,085	629,368
15-19 years	742,241	727,556	713,861	697,383	692,400	691,590	643,929	631,074	619,013	616,541
20-24 years	797,897	807,553	810,493	802,622	786,678	773,665	780,841	756,783	732,494	758,465
25-29 years	681,244	668,489	666,490	676,732	691,365	706,231	767,833	769,883	764,486	740,388
30-39 years	1,450,724	1,447,331	1,440,568	1,431,051	1,413,067	1,397,968	1,311,512	1,301,748	1,294,719	1,307,866
40-49 years	1,423,090	1,419,677	1,414,860	1,413,542	1,406,380	1,400,493	1,234,888	1,216,875	1,200,619	1,189,077
50-59 years	1,330,539	1,343,517	1,348,247	1,354,647	1,355,259	1,362,848	1,212,053	1,196,497	1,177,315	1,159,178
60-69 years	935,625	979,320	1,016,812	1,048,181	1,075,050	1,104,938	1,118,867	1,116,402	1,106,062	1,096,186
70-79 years	504,232	525,638	546,827	579,910	611,339	643,520	681,698	702,462	725,234	748,560
80+ years	333,222	341,032	348,597	357,813	366,196	379,888	413,400	417,324	427,272	438,435

Source:

(1) State of California, Department of Finance, Population Projections for California and Its Counties 2020-2060. Sacramento, CA, March 2024.

Economic Data

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
LA County Personal Income	514,516,564	549,073,019	563,907,868	593,741,110	628,808,732	653,482,910	678,829,092	728,772,915	720,740,528	-
LA County Per Capita Personal Income	51,111	54,298	55,624	58,419	62,224	65,094	68,272	74,141	74,142	-
California Personal Income	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	3,133,678,900
California Per Capita Personal Income	51,317	54,664	56,374	58,272	62,586	66,745	71,480	76,386	77,339	80,423
United States Personal Income	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	22,952,028,300
United States Per Capita Personal Income	46,486	48,429	49,204	50,392	53,712	49,763	52,992	63,444	76,326	68,531

Source:

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

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

*2023 economic data is not yet available for Los Angeles County

Los Angeles County Children and Families First – Proposition 10 Commission
 Unemployment Rate
 2014 - 2023

Area	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
United States	3.6%	3.6%	5.3%	8.1%	3.7%	3.7%	4.4%	4.3%	5.3%	6.2%
California	4.8%	4.2%	7.3%	10.1%	4.0%	4.2%	4.8%	4.7%	6.2%	7.5%
Los Angeles County	5.0%	4.5%	8.2%	12.8%	4.0%	4.6%	4.7%	4.6%	6.7%	8.3%

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

Los Angeles County Children and Families First – Proposition 10 Commission

Ten Largest Industries

2023 and 2014

Industry	June 30, 2023			June 30, 2014		
	Number of Employees	Rank	Percentage of Total	Number of Employees	Rank	Percentage of Total
Educational & Health Services	916,300	1	19.74%	712,300	2	17.00%
Trade, Transportation & Utilities	839,700	2	18.09%	796,600	1	19.01%
Professional & Business Services	677,100	3	14.59%	587,800	3	14.03%
Government	583,200	4	12.56%	564,500	4	13.47%
Leisure & Hospitality	554,300	5	11.94%	469,500	5	11.20%
Manufacturing	320,000	6	6.89%	373,500	6	8.91%
Information	220,600	7	4.75%	195,300	8	4.66%
Financial Activities	215,700	8	4.65%	211,300	7	5.04%
Other Services	158,000	9	3.40%	152,100	9	3.63%
Construction	150,100	10	3.23%	119,000	10	2.84%
Sub-total Ten Largest Industries	4,635,000		99.85%	4,181,900		99.80%
All Other Industries	6,900		0.15%	8,500		0.20%
Total Industries	4,641,900		100.00%	4,190,400		100.00%

Note:

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

Source:

County of Los Angeles Annual Comprehensive Financial Report for the year ended June 30, 2023:

[Annual-Comprehensive-Financial-Report-FY-2022-2023.pdf \(lacounty.gov\)](#)

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

Los Angeles County Children and Families First – Proposition 10 Commission
 Authorized Positions by Function
 2015 - 2024

Functional Area	Fiscal Year									
	2024 (10)	2023 (9)	2022 (8)	2021 (7)	2020 (6)	2019 (5)	2018 (4)	2017 (3)	2016 (2)	2015 (1)
Executive	6	6	7	6	8	8	7	8	5	4.5
Administration	33	34	34	34	32	32	30	38	37.5	34.5
Programs	78	79	79	80	108	108	111	107	106	101.5
Total	117	120	120	120	148	148	148	153	148.5	140.5

Source:

- (1) First 5 LA Approved FY 2014-15 Operating Budget
- (2) First 5 LA Approved FY 2015-16 Operating Budget
- (3) First 5 LA Approved FY 2016-17 Operating Budget
- (4) First 5 LA Approved FY 2017-18 Operating Budget
- (5) First 5 LA Approved FY 2018-19 Operating Budget
- (6) First 5 LA Approved FY 2019-20 Operating Budget
- (7) First 5 LA Approved FY 2020-21 Operating Budget
- (8) First 5 LA Approved FY 2021-22 Operating Budget
- (9) First 5 LA Approved FY 2022-23 Operating Budget
- (10) First 5 LA Approved FY 2023-24 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 (*Government Auditing Standards*), 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, 2024, 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 10, 2024.

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 Commission'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2024-001 that we consider to be a significant deficiency.

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*.

Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
October 10, 2024



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, 2024.

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, 2024.

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.



Rancho Cucamonga, California
October 10, 2024

2024-001

Bank Reconciliations and Fair Value Adjustment

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Criteria:

Management is responsible for the preparation and fair presentation of the financial statements. Management is responsible for ensuring that all financial records and related information is reliable and properly recorded in accordance with the Generally Accepted Accounting Principles (GAAP).

Condition:

During our audit, we noted that the Commission did not accurately reconcile its investment balance. An adjustment in the amount of \$306,418 was needed to properly reflect the investment balance at June 30, 2024.

Cause:

During our test of the Commission's Pooled Cash and Investments with the County June 2024 reconciliation, we noted the reconciliation did not properly reconcile to the Commissions general ledger. As a result, the Commission did not properly adjust for the unrecognized fair value loss on their pooled cash and investments with the County resulting in the adjustment of \$306,418 to investments.

Effect:

The June 2024 pooled cash and investments account was not properly reconciled and the reconciliation had to be reperformed to correctly reconcile cash and investments. Additionally, an adjustment was necessary to correct the investment balance.

Recommendation:

The current format of the pooled cash and investments bank reconciliation makes reconciliation of the general ledger balance and the bank (County) balance difficult. We recommend that the pooled cash and investments bank reconciliation format be changed to make reconciliation of these items easier. This would ensure that the bank statement is agreed to the general ledger on a monthly basis and enable a visible monthly summary of activity.

Views of Responsible Officials and Planned Corrective Action:

During our year end process, our accounting team will review the journal entry and computation of the fair value adjustment with the county bank statements before processing in our accounting system. The approval process will be as follows: Journal entry and computation by a Staff Accountant. Review by the Accounting Manager. Final approval by the Director of Finance.