

Financial Statements

June 30, 2026

**First 5 Riverside County Children and
Families Commission**

(A Component Unit of the County of Riverside, California)



This page intentionally left blank.

First 5 Riverside County Children and Families Commission

Table of Contents

June 30, 2026

Independent Auditor's Report	1
Management's Discussion and Analysis	5
Government Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Notes to Financial Statements	19
Required Supplementary Information	
Schedule of the Commission's Proportionate Share of the Net Pension Liability (Miscellaneous Plan)	36
Schedule of Contributions	37
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	38
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – ARPA Fund	39
Notes to Required Supplementary Information.....	40
Other Supplementary Information	
Schedule of First 5 California Funding.....	42
Compliance Section	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
Independent Auditor's Report on State Compliance and on Internal Control over Compliance	45

This page intentionally left blank.

Financial Section



This page intentionally left blank.



Independent Auditor's Report

To the Board of Commissioners
First 5 Riverside County Children and Families Commission
Riverside, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the First 5 Riverside County Children and Families Commission (Commission), a component unit of the County of Riverside, California, as of and for the year ended June 30, 2026, 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 each major fund of the Commission, as of June 30, 2026, 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, schedules of Commission's proportionate share of net pension liability and contributions and budgetary comparison information as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of First 5 California Funding (Schedule) 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2026, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Eide Bailly LLP

Ontario, California
October 21, 2026

This page intentionally left blank.

First 5 Riverside County Children and Families Commission
Management's Discussion and Analysis
(Unaudited)
For the Year Ended June 30, 2026

Introduction

The purpose of management's discussion and analysis (MD&A) is to help readers understand what the Commission's financial statements and accompanying notes in this financial report say about its financial condition and why it changed from the prior year. Information presented in this section is drawn from the financial statements and supplemented by management's knowledge of the Commission's financial activities.

If you have questions concerning this report or require further information, contact Patricia Perez, Deputy Director, Riverside County Children and Families Commission, 585 Technology Court, Riverside, California 92507.

Overview of the Financial Statements

The Commission's financial report contains two types of basic financial statements that present its finances at both an overall and a more detailed fund level. The *government-wide financial statements* provide information about the Commission as a whole, while the *governmental fund financial statements* provide more detailed information about the Commission's individual funds.

- *Government-wide financial statements* provide a broad view of the Commission's financial position and activities. These statements include the Statement of Net Position and the Statement of Activities. The Statement of Net Position presents the Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Statement of Activities shows how the Commission's net position changed during the fiscal year, through revenues and expenses. The Commission reports only on governmental activities.
- *Governmental fund financial statements* provide a more detailed view of the Commission's financial activities by fund. These statements focus on the short-term inflows, outflows, and balances of spendable resources available to finance current programs and services. For fiscal year 2025-26, the Commission reports the General Fund and the ARPA Fund as major governmental funds. The General Fund is the Commission's primary operating fund, while the ARPA Fund accounts for activities funded through the Coronavirus State and Local Fiscal Recovery Funds.

First 5 Riverside County Children and Families Commission

Management's Discussion and Analysis (Unaudited)

Understanding the Financial Statements

The financial statements present different types of financial information.

- *Assets* are resources available to the Commission, such as cash, investments, amounts owed to the Commission, and property and equipment.
- *Liabilities* are amounts the Commission owes or is obligated to pay, such as amounts owed to vendors and obligations related to pensions and accrued employee leave.
- *Revenues* are resources received by the Commission, such as tobacco tax revenue and funding from other programs.
- *Expenses or expenditures* represent resources used to provide programs and services.

Certain long-term items, such as capital assets, pensions, and compensated absences, are reported differently in the government-wide and governmental fund financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to understanding the amounts reported in the government-wide and governmental fund financial statements. Required supplementary information, including information related to pensions and budgetary comparisons, is also presented as part of the financial report.

Analysis of Commission's Finances

Table A-1

Riverside County Children and Families Commission's Net Position

	Governmental Activities		Total Percentage Change
	2026	2025	2025-2026
Current and other assets	\$ 29,141,313	\$ 38,119,467	-23.6%
Capital assets, net	1,687,826	1,690,241	-0.1%
Total assets	30,829,139	39,809,708	-22.6%
Deferred outflows of resources	2,129,329	3,112,681	-31.6%
Long-term liabilities	6,633,945	7,805,022	-15.0%
Other liabilities	3,032,846	5,793,185	-47.6%
Total liabilities	9,666,791	13,598,207	-28.9%
Deferred inflows of resources	943,423	324,799	190.5%
Net Position			
Net investment in capital assets	1,687,826	1,690,241	-0.1%
Restricted	-	401,538	-100.0%
Unrestricted	20,660,428	26,907,604	-23.2%
Total net position	\$ 22,348,254	\$ 28,999,383	-22.9%

First 5 Riverside County Children and Families Commission

Management's Discussion and Analysis (Unaudited)

Table A-1 shows that as of June 30, 2026, the Commission's total net position—assets and deferred outflows minus liabilities and deferred inflows—was approximately \$22.3 million, a decrease of approximately \$6.7 million, or 22.9%, from FY 2024–25. The decrease was primarily attributed to expenses exceeding revenues during the fiscal year. The Commission also expended the remaining \$401,538 in restricted ARPA fund balance during FY 2025–26, resulting in no restricted net position at year-end.

Total assets decreased by approximately \$9.0 million, or 22.6%, primarily reflecting a \$7.3 million decrease in cash and investments and a \$1.5 million decrease in amounts due from other governments. The decrease in cash and investments primarily reflects the planned use of accumulated resources, including Proposition 10 funds committed to Early Care and Education infrastructure investments intended to expand child care capacity in Riverside County.

Total liabilities decreased approximately \$3.9 million, or 28.9%, primarily due to lower accounts payable, use of the remaining ARPA funds resulting in a decrease in unearned revenue, and a decrease in the net pension liability. The decrease in accounts payable primarily reflects the timing of year-end accruals and payments, while the decrease in the net pension liability reflects changes in the Commission's proportionate share of the County's pension liability and other actuarial factors.

Deferred outflow of resources decreased approximately \$983,000 and deferred inflows of resources increased approximately \$619,000 due primarily to changes in pension-related amounts.

First 5 Riverside County Children and Families Commission

Management's Discussion and Analysis (Unaudited)

Governmental Activities

Table A-2 presents the Commission's revenues, expenses, and changes in net position for FY 2025–26 compared with FY 2024–25.

Table A-2

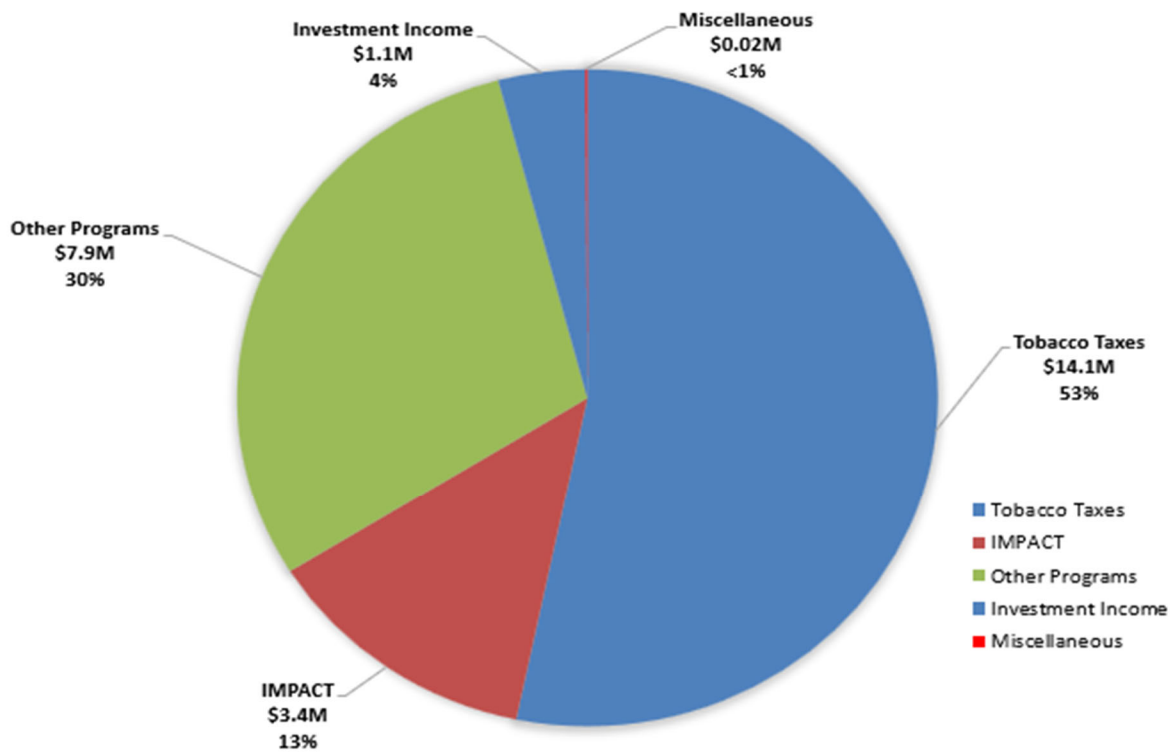
Changes in Riverside County Children and Families Commission's Net Position

	Governmental Activities		Total Percentage Change
	2026	2025	2025-2026
Revenues			
Program revenues			
Tobacco taxes	\$ 14,084,447	\$ 14,192,057	-0.8%
Impact	3,412,608	4,103,018	-16.8%
Other programs	7,891,716	10,638,255	-25.8%
General revenues			
Investment income	1,065,731	1,901,505	-44.0%
Miscellaneous	22,683	0	100.0%
Total revenues	26,477,185	30,834,835	-14.1%
Expenses			
Child development			
Salaries and benefits	8,669,362	8,713,956	-0.5%
Professional and specialized services	22,383,862	22,626,816	-1.1%
Services and supplies	1,998,415	2,014,823	-0.8%
Capital related	76,675	70,487	8.8%
Total expenses	33,128,314	33,426,082	-0.9%
Change in net position	(6,651,129)	(2,591,247)	
Net position, beginning of the year	28,999,383	31,653,398	-8.4%
Adjustments-GASB 101 (2025)	-	(62,768)	
Total net position - beginning, as restated	28,999,383	31,590,630	-8.2%
Net position, end of the year	\$ 22,348,254	\$ 28,999,383	-22.9%

First 5 Riverside County Children and Families Commission

Management's Discussion and Analysis (Unaudited)

Figure A-1. Governmental Activities Revenues by Source

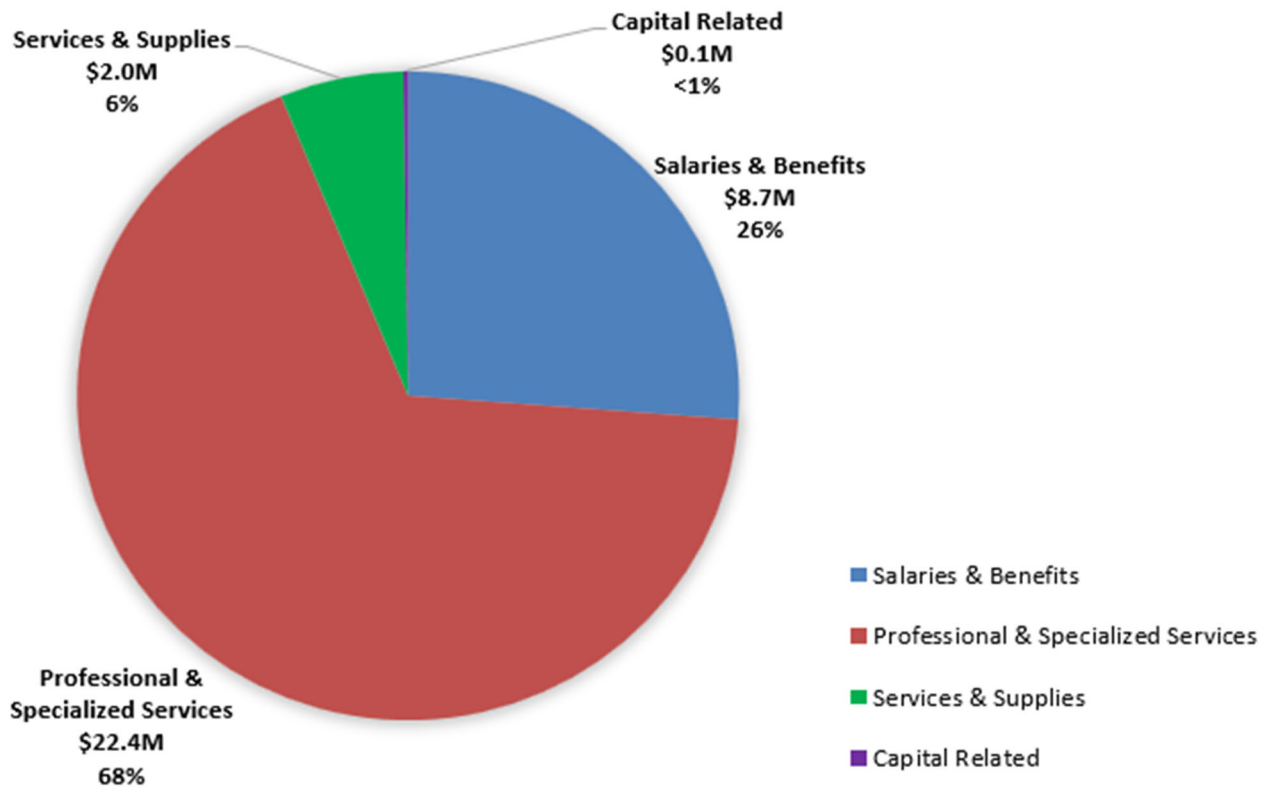


Total revenues decreased approximately \$4.4 million, or 14.1%, from FY 2024–25. The largest driver was the completion of temporary ARPA-funded activities: ARPA revenue included in Other Programs decreased from approximately \$4.6 million to \$294,000. Higher revenues from other reimbursable programs partially offset that decrease. Investment income declined approximately \$836,000, and IMPACT revenue declined approximately \$690,000. Tobacco tax revenue decreased \$107,610, or 0.8%, and remained the Commission's largest revenue source. The decline in total revenues therefore primarily reflects the completion of temporary ARPA funding, with smaller declines in other revenue sources.

First 5 Riverside County Children and Families Commission

Management's Discussion and Analysis (Unaudited)

Figure A-2. Governmental Activities Expenses by Category



Total expenses decreased \$297,768 or 0.9%, from FY 2024–25 and remained relatively consistent with the prior year. Professional and specialized services continued to represent the Commission's largest expense category at approximately \$22.4 million, decreasing approximately \$243,000, or 1.1%. Salaries and benefits decreased approximately \$45,000, or 0.5%, while services and supplies decreased approximately \$16,000, or 0.8%. Capital-related expenses increased approximately \$6,000 from the prior year.

Overall, expenses exceeded revenues during FY 2025–26, resulting in a decrease in net position of approximately \$6.7 million.

Governmental funds

The Commission reports two major governmental funds individually in the governmental fund financial statements. Those funds are the General Fund and the ARPA Fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors relevant to the Commission's current financial position are more apparent in the fund financial statements than in the government-wide financial statements. Significant changes in the Commission's major funds are shown in Table A-3 and discussed in more detail below.

First 5 Riverside County Children and Families Commission

Management's Discussion and Analysis (Unaudited)

Table A-3

Revenues, Expenditures, and Changes in Fund Balances

	General Fund		ARPA Fund	
	2026	2025	2026	2025
Total revenues	\$26,203,802	\$26,125,882	\$ 294,098	\$ 4,670,628
Total expenditures	31,962,134	28,198,227	695,636	4,580,490
Net change in fund balance	(5,758,332)	(2,072,345)	(401,538)	90,138
Fund balances – beginning of period	32,528,988	34,601,333	401,538	311,400
Fund balances – ending of period	\$26,770,656	\$32,528,988	\$ -	\$ 401,538

Fund balance represents the financial standing of a governmental fund as of the end of the fiscal year from a short-term perspective.

General Fund

The General Fund is the Commission's primary operating fund. At the end of FY 2025–26, the General Fund balance was approximately \$26.8 million, a decrease of approximately \$5.8 million, or 17.7%, from FY 2024–25. Revenues remained relatively unchanged, while expenditures increased approximately \$3.8 million, or 13.3%, driven primarily by professional and specialized services. The increase reflects higher spending on Commission-approved Early Care and Education infrastructure projects, including the Lakeland Village and French Valley child care projects. Expenditures exceeded revenues by approximately \$5.7 million, with the difference financed through accumulated fund balance.

ARPA Fund

The ARPA Fund ended FY 2025–26 with no remaining fund balance. During the fiscal year, the Commission incurred approximately \$696,000 in expenditures to support completion of the Jan Peterson Child Day Care Center infrastructure expansion. Approximately \$294,000 in ARPA revenue was recognized during the year, with the remaining \$402,000 funded from the beginning ARPA fund balance. As of June 30, 2026, all remaining ARPA funds had been expended and the fund balance was zero.

Significant capital asset activity

At June 30, 2026, the Commission's net capital assets totaled approximately \$1.7 million, remaining relatively unchanged from the prior year. The child care infrastructure investments discussed above supported facilities owned by partner organizations and therefore were reported as expenditures rather than additions to the Commission's capital assets. During FY 2025–26, the Commission added approximately \$74,000 in machinery and equipment related to the Commission meeting conference room audio system upgrade and recorded approximately \$77,000 in depreciation expense. Additional information on capital assets is provided in Note 4 to the financial statements.

First 5 Riverside County Children and Families Commission

Management's Discussion and Analysis (Unaudited)

Currently known facts, decisions, or conditions

The Commission is aware of three developments that are expected to have an impact on the Commission's finances in future periods and are reflected in the FY 2026–27 budget and subsequent budget revisions:

- (1) Declining tobacco tax revenue
- (2) FY 2026–27 budget and fund balance use
- (3) FY 2026–27 budget revision and new funding

Declining tobacco tax revenue

The Commission continues to face declining tobacco tax revenue, its primary ongoing revenue source. Riverside County's share of statewide tobacco tax collections is affected by tobacco sales and statewide birth trends. Proposition 31, which prohibited the sale of flavored tobacco products beginning in December 2022, is also expected to continue placing downward pressure on tobacco tax revenue. The FY 2026–27 budget initially projected Proposition 10 and Proposition 56 revenues to decrease by approximately \$1.2 million from the prior-year budget. In response, the Commission continues to diversify funding through state and County partnerships and other reimbursable programs.

FY 2026–27 budget and fund balance use

In May 2026, the Commission adopted the FY 2026–27 General Fund budget with estimated revenues of approximately \$25.9 million and expenditures of approximately \$30.6 million. The budget included a planned use of fund balance of approximately \$4.7 million, including approximately \$1.3 million in previously committed funding for Maternal Fetal Medicine research. The budget also included approximately \$691,000 for capital assets, primarily associated with the planned build-out of undeveloped Commission space. The planned use of fund balance includes one-time investments and previously approved commitments. As tobacco tax revenue declines, the Commission will continue evaluating recurring expenditures against ongoing revenues to determine the adjustments needed to sustain programs and services.

FY 2026–27 budget revision and new funding

In September 2026, the Commission revised the FY 2026–27 budget to reflect additional program funding and updated implementation needs. Revised revenues increased to approximately \$28.8 million, including an additional \$2.1 million in CalWORKs Home Visiting funding and approximately \$829,000 in first-year funding from the newly awarded five-year, \$6 million Proposition 64 Public Health and Safety Grant. Revised expenditures increased to approximately \$35.1 million and included additional contracts and MOUs and approximately \$1.5 million in Early Care and Education infrastructure investments carried forward from FY 2025–26. The revised budget provides for approximately \$6.3 million in fund balance use. Additional CalWORKs Home Visiting and Proposition 64 funding supports specified program activities, while accumulated fund balance supports infrastructure investments and other budgeted expenditures. The Commission will distinguish one-time commitments from recurring operating costs in its multiyear financial planning.

Basic Financial Statements



This page intentionally left blank.

First 5 Riverside County Children and Families Commission

Statement of Net Position

June 30, 2026

	Governmental Activities
Assets	
Cash and investments in County Treasury	\$ 27,291,295
Interest receivable	145,493
Due from other governments	1,704,525
Capital assets not being depreciated	373,380
Capital assets, net of accumulated depreciation	1,314,446
Total assets	30,829,139
Deferred Outflows of Resources	
Deferred outflows related to pensions	2,129,329
Liabilities	
Accounts payable	1,326,296
Accrued wages and benefits	413,249
Use tax payable	87
Unearned revenue	211,520
Due to other governments	401,895
Compensated absences	
Payable within one year	679,799
Payable after one year	496,083
Net pension liability	6,137,862
Total liabilities	9,666,791
Deferred Inflows of Resources	
Deferred inflows related to pensions	943,423
Net Position	
Net investment in capital assets	1,687,826
Unrestricted	20,660,428
Total net position	\$ 22,348,254

First 5 Riverside County Children and Families Commission

Statement of Activities
Year Ended June 30, 2026

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
Governmental Activities			
Child development	<u>\$ 33,128,314</u>	<u>\$ 25,388,771</u>	<u>\$ (7,739,543)</u>
Total governmental activities	<u>\$ 33,128,314</u>	<u>\$ 25,388,771</u>	<u>(7,739,543)</u>
General Revenues			
Investment income			1,065,731
Miscellaneous			<u>22,683</u>
Total general revenues			<u>1,088,414</u>
Change in Net Position			(6,651,129)
Total Net Position - Beginning			<u>28,999,383</u>
Total Net Position - Ending			<u>\$ 22,348,254</u>

First 5 Riverside County Children and Families Commission

Balance Sheet – Governmental Funds

June 30, 2026

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total</u>
Assets			
Cash and investments in County Treasury	\$ 27,291,295	\$ -	\$ 27,291,295
Interest receivable	145,493	-	145,493
Due from other governments	<u>1,704,525</u>	<u>-</u>	<u>1,704,525</u>
Total assets	<u><u>\$ 29,141,313</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,141,313</u></u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 1,326,296	\$ -	\$ 1,326,296
Accrued wages and benefits	413,249	-	413,249
Use tax payable	87	-	87
Unearned revenue	211,520	-	211,520
Due to other governments	<u>401,895</u>	<u>-</u>	<u>401,895</u>
Total liabilities	<u>2,353,047</u>	<u>-</u>	<u>2,353,047</u>
Deferred Inflows of Resources			
Unavailable revenues	<u>17,610</u>	<u>-</u>	<u>17,610</u>
Total deferred inflows of resources	<u>17,610</u>	<u>-</u>	<u>17,610</u>
Fund Balances			
Fund Balance			
Committed	9,300,072	-	9,300,072
Assigned	3,417,189	-	3,417,189
Unassigned	<u>14,053,395</u>	<u>-</u>	<u>14,053,395</u>
Total fund balance	<u>26,770,656</u>	<u>-</u>	<u>26,770,656</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 29,141,313</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,141,313</u></u>

First 5 Riverside County Children and Families Commission
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2026

Amounts reported for governmental activities in the Statement of Net Position are different because

Fund Balance of Governmental Funds	\$ 26,770,656
Capital assets used for governmental activities in the amount of \$2,446,490 net of \$758,664 in accumulated depreciation, are not financial resources and therefore, are not reported in the funds.	1,687,826
Governmental funds report pension contributions to the plan as expenditures, however in the statement of net position contributions are recorded as deferred outflows of resources to reduce the net pension liability at a future date. Additionally, the net pension liability is recorded in the statement of net position as a long-term liability. The following reconciles adjustments related to the net pension liability	
Net pension liability	(6,137,862)
Deferred outflows of resources	2,129,329
Deferred inflows of resources	(943,423)
Compensated absences liability is not reported in the fund financial statements.	<u>(1,175,882)</u>
Revenues reported as unavailable revenue in the governmental funds do not provide current financial resources but are recognized in the statement of activities.	<u>17,610</u>
Net Position of Governmental Activities	<u><u>\$ 22,348,254</u></u>

First 5 Riverside County Children and Families Commission
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2026

	General Fund	ARPA Fund	Total
Revenues			
Tobacco taxes	\$ 14,105,162	\$ -	\$ 14,105,162
IMPACT	3,412,608	-	3,412,608
Other programs	7,597,618	294,098	7,891,716
Investment income	1,065,731	-	1,065,731
Miscellaneous	22,683	-	22,683
	<u>26,203,802</u>	<u>294,098</u>	<u>26,497,900</u>
Total revenues			
Expenditures			
Current			
Child development			
Salaries and benefits	8,201,233	-	8,201,233
Professional and specialized services	21,688,226	695,636	22,383,862
Services and supplies	1,998,415	-	1,998,415
Capital outlay	74,260	-	74,260
	<u>31,962,134</u>	<u>695,636</u>	<u>32,657,770</u>
Total expenditures			
Excess/(Deficiency) of Revenues over Expenditures	<u>(5,758,332)</u>	<u>(401,538)</u>	<u>(6,159,870)</u>
Net Change in Fund Balance	(5,758,332)	(401,538)	(6,159,870)
Fund Balance, Beginning of Year	<u>32,528,988</u>	<u>401,538</u>	<u>32,930,526</u>
Fund Balance, End of Year	<u><u>\$ 26,770,656</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,770,656</u></u>

First 5 Riverside County Children and Families Commission
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2026

Amounts reported for Governmental Activities in the Statement of
Activities are different because

Net Change in Fund Balance - Total Governmental Funds \$ (6,159,870)

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount by which
depreciation expense exceeded capital outlays in the current period. (2,415)

Governmental funds report pension contributions as expenditures. However, in the
statement of activities, pension expense is measured as the change in net pension
liability and the amortization of deferred outflows and inflows related to pensions.
This amount represents the net change in pension related amounts. (279,377)

Compensated absences expenses reported in the Statement of Activities do
not require the use of current financial resources and therefore are not
reported as expenditures in governmental funds. This amount represents
the net change in the compensated absences liability. (188,752)

Revenues in the Statement of Activities that do not meet the "availability" criteria
for revenue recognition are reported as deferred inflows of resources, unavailable
revenues, in the governmental funds. This is the net change in deferred inflows
of resources, unavailable revenues, from the prior year. (20,715)

Change in Net Position of Governmental Activities \$ (6,651,129)

Notes to Financial Statements



This page intentionally left blank.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Riverside County Board of Supervisors established First 5 Riverside, also known as Riverside County Children and Families Commission ("the Commission") in 1999 under the provisions of the California Children and Families Act of 1998 (Act). The Commission provides support for all children, prenatal through five years, and their families to improve early childhood development. The Commission is funded through cigarette tax revenue generated as a result of the California voter approval of the Proposition 10 Act ("Prop 10") in November 1998. A governing board of nine members, which are appointed by the County Board of Supervisors, administers the Commission. The composition of the Commission is consistent with the requirements set forth in the Proposition 10 legislation and the local Riverside County Ordinance No. 784.

The Commission is a component unit of the County of Riverside, California. The Commission implements comprehensive and integrated systems for children to thrive in supportive, nurturing and loving environments; enter school healthy and ready to learn and become productive and well-adjusted as members of society. The Commission developed a strategic plan to guide activities and funding for the period of June 2027 through June 2030. The Commission's primary goals are: 1) to foster a healthy community and provide access to affordable, comprehensive and preventive mental and physical health services 2) to expand the availability of quality, accessible and affordable Child Care services and 3) to educate Riverside County residents about the lifelong implication of optimal development through age 5.

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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the activities of the reporting entity. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) on pages 13 and 14 are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions to local grantee organizations are recognized as expense when criteria for grant payments are met by the grantee organization. The *Statement of Net Position* presents the Commission's overall financial position. The *Statement of Activities* reports the change in net position in a net program cost format to demonstrate the degree to which the expenses of the Commission are offset by its program revenues. The Commission's principal activity is child development.

Governmental fund financial statements, presented after the government-wide financial statements, are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are generally considered to be available when they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recognized in the accounting period in which the liability is incurred, if measurable. However, expenditures related to compensated absences are recorded only when payment is due. Revenues collected in advance are recorded as advances (Unearned Revenue) and recognized in the period earned.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the Commission.

The Coronavirus State and Local Fiscal Recovery Funds (*ARPA fund*) is a special revenue fund. This fund supports the resilience of the overall economy by allowing more parents to access early care and education (childcare) so that they are able to return to work after experiencing the negative impacts of COVID-19 within Riverside County.

D. Accounting and Reporting Policies

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

E. Cash and Investments

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.

F. Capital Assets

Capital assets are recorded at historical cost. The capitalization threshold for equipment is \$10,000; buildings, land and land improvements is \$150,000. Betterments result in a more productive, efficient or long-lived asset. Significant betterments are considered capital assets when they result in an improvement of \$2,500 or more. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide statements. The estimated useful lives are as follows: Buildings 25-60 years, Improvements 10-20 years, Equipment 3-20 years. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the changes in financial position.

G. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Commission has one item that qualifies for reporting in this category: Deferred outflows related to pensions.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Commission has two items that qualify for reporting in this category: Deferred inflows related to pensions and Deferred inflows related to unavailable revenues.

H. Unearned Revenue

Revenues collected in advance of incurring eligible expenses are recorded as advances (Unearned Revenue) and recognized in the period to which they apply. As of June 30, 2026, the Commission has unearned revenues of \$211,520.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

J. Restricted Resources

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 they are needed.

K. Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, a liability for compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid, primarily the general fund.

Commission policy permits employees to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation, holiday and sick pay are accrued when incurred. Governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements.

The Commission allows unlimited accumulation of sick leave. Upon service retirement, disability retirement, or death of an employee or officer, and subject to the provisions of any applicable agreement between the employing agency and CalPERS, unused accumulated sick leave for most employees with at least 5 but less than 15 years of service shall be credited at the rate of 50% of current salary value thereof provided, however, that the total payment shall not exceed a sum equal to 960 hours of full pay. Unused accumulated sick leave for employees with more than 15 years of service shall be credited at the rate of the current salary value provided, however, that the total payment shall not exceed a sum equal to 960 hours of full pay. In addition, the employee may also elect to place the payable amount of sick leave into a VEBA (Voluntary Employee Beneficiary Association) account, which may be used for future health care costs.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of Riverside's Miscellaneous Pension Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

M. Net Position and Fund Balance

Net Position

In the government-wide financial statements, net position represents the difference between assets, liabilities and deferred outflows (inflows) of resources, and may be classified into three components:

- Net Investment in Capital Assets – This balance reflects the net position of the Commission that are invested in capital assets. This amount is generally not accessible for other purposes.
- Restricted Net Position – This balance represents net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties.
- Unrestricted Net Position – This balance represents the net position that is available for general use.

Fund Balance

The following classifications describe the relative strength of the constraints placed on the purposes for which resources can be used:

- Nonspendable Fund Balance – Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.
- Restricted Fund Balance – Amounts that are constrained to specific purposes by state or federal laws or externally imposed conditions by grantors or creditors.
- Committed Fund Balance – Amounts with self-imposed limitations and require both the approval of the highest level of decision-making authority (Commissioners) and the same formal action to remove or modify limitations. The formal action required by the Commissioners for funds to be committed is action by the way of a formal action item allocating funding for a specific purpose, program or initiative.
- Assigned Fund Balance – Amounts that are constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed. The Commission is the only authority allowed to assign amounts to be used for specific purposes.
- Unassigned Fund Balances – These are residual resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative fund balance of special revenue funds.

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 they are needed. For unrestricted resources, decreases in fund balance first reduce committed fund balance, in the event that committed fund balance becomes zero, then assigned and unassigned fund balances are used in that order.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

N. Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

Effective in Current Fiscal Year

GASB Statement No. 103 – *Financial Reporting Model Improvements* – In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The Statement improves key components of the financial reporting model, including changes to management’s discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. The Commission implemented this Statement for the fiscal year ended June 30, 2026.

GASB Statement No. 104 – *Disclosures of Certain Capital Assets* – In September 2024, the GASB issued Statement No. 104, *Disclosures of Certain Capital Assets*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. This Statement requires certain additional disclosures for capital assets, including capital assets held for sale, lease assets by major class of underlying assets, subscription assets, and intangible assets other than lease assets and subscription assets. 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 pronouncement that has an effective date which may impact future financial statement presentation. The Commission has not determined the effect of the following Statement:

GASB Statement No. 105 – *Subsequent Events*

Note 2 - Cash and Investments

Cash and Investments are classified in the accompanying financial statements as follows:

Cash and Investments in County Treasury	<u>\$ 27,291,295</u>
Total cash and investments	<u><u>\$ 27,291,295</u></u>

Investments Authorized by the California Government Code

The Commission is authorized under the California Government Code to make direct investments and has adopted the Riverside County Statement of Investment Policy and any amendments, therein. The Commission maintains policies for exposure to interest rate risk, credit risk, and concentration of credit risk, as stated in the policy. The following are investments authorized under the Riverside County Statement of Investment Policy, which is more limited than those authorized under the California Government Code:

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio
U.S. Treasuries	5 years	100%
Reverse Repos	60 days	10%
Repurchase Agreements (REPO)	45 days	40% max; 25% in term repo over 7 days
Negotiable Certificate Of Deposits & Collateralized Time Deposits (NCD & TCD)	2 years	20%
Municipal Bonds (MUNI)	5 years	15%
Money Market Mutual Funds (MMF)	Daily liquidity	20%
Medium Term Notes (MTNO) Corporate Notes	4 years	20%
Local Agency Obligations (LAO)	3 years	2.5%
Local Agency Investment Fund (LAIF)	Daily liquidity	Max \$50 million
Joint Powers Authority Pool, CLTR, Camp	Daily liquidity	2%
Int'l Bank for Reconstruction and Development, Int'l Finance Corporation, and Inter-American Development Bank	5 years	20%
Federal Agencies	5 years	100%
Commercial Paper (CP)	397 days	40%
Cash/Deposit Account	N/A	20%

Investment in Riverside County Treasurer's Pooled Investment Fund

The Commission maintains all of its funds with the Riverside County Treasurer. For information regarding interest rate risk, credit risk, concentration of credit risk, and custodial credit risk of the Riverside County Treasurer's Pool refer to the County of Riverside Annual Comprehensive Financial Report.

The Riverside County Treasurer maintains a cash and investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Interest is apportioned to the Commission based on the average daily balances on deposit with the Riverside County Treasurer.

The Commission is an involuntary participant in the pool regulated by the California Government Code, under the oversight of the Treasurer of the County of Riverside and Treasury Oversight Committee. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value provided by the County of Riverside for the entire pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the pool, which are recorded on an amortized cost basis. The weighted average maturity of the pool was 1.35 years at June 30, 2026. The County pool investment fund is rated AAf/S1 by Fitch Ratings.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

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. As of June 30, 2026, the Commission held no individual investments. All funds are invested in the Riverside County Investment Pool.

Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the Commission's investment in the Riverside County Investment Pool at June 30, 2026 is uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

Note 3 - Due from Other Governments

Due from other governments represents amounts due to the Commission from the California Children and Families Commission ("State Commission") for Prop 10 related revenues. The amounts due at June 30, 2026, were as follows:

Prop 10 Revenue For June 2026	\$ 850,790
IMPACT	722,012
SMIF (interest)	92,029
Other	<u>39,694</u>
Total due from other governments	<u>\$ 1,704,525</u>

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 4 - Capital Assets

Capital assets activity for the year ended June 30, 2026, is shown below:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital Assets Not Depreciated				
Land	\$ 373,380	\$ -	\$ -	\$ 373,380
Capital Assets Depreciated				
Building and improvements	1,897,938	-	-	1,897,938
Machinery and equipment	107,404	74,260	(6,492)	175,172
Total depreciable assets	2,005,342	74,260	(6,492)	2,073,110
Less - Accumulated Depreciation For				
Building and improvements	(597,738)	(53,827)	-	(651,565)
Machinery and equipment	(90,743)	(22,848)	6,492	(107,099)
Total accumulated depreciation	(688,481)	(76,675)	6,492	(758,664)
Total capital assets depreciated, net	1,316,861	(2,415)	-	1,314,446
Total capital assets, net	<u>\$ 1,690,241</u>	<u>\$ (2,415)</u>	<u>\$ -</u>	<u>\$ 1,687,826</u>

Depreciation expense for the year ended June 30, 2026 totaled \$76,675 and is included in child development in the statement of activities.

Note 5 - Compensated Absences

At June 30, 2026, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was \$1,175,882.

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>	<u>Amount Due in one year</u>
Compensated Absences	<u>\$ 987,130</u>	<u>\$ 188,752</u>	<u>\$ 1,175,882</u>	<u>\$ 679,799</u>

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 6 - Fund Balance

The details of the fund balances as of June 30, 2026, are presented below:

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total</u>
Fund Balance			
Committed to			
Budgetary Stabilization Reserve	<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>\$ 6,000,000</u>
RUHS-MC MFM Capacity Building	<u>2,885,672</u>	<u>-</u>	<u>2,885,672</u>
ECE Facility Projects	<u>414,400</u>	<u>-</u>	<u>414,400</u>
Total committed	<u>9,300,072</u>	<u>-</u>	<u>9,300,072</u>
Assigned to			
FY 26/27 Budgeted Fund Balance Draw	<u>3,417,189</u>	<u>-</u>	<u>3,417,189</u>
Unassigned			
Unassigned Fund Balance	<u>14,053,395</u>	<u>-</u>	<u>14,053,395</u>
Total fund balance	<u><u>\$ 26,770,656</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,770,656</u></u>

Stabilization Arrangement

In May 2018, the Commission approved Action Item #18-12. Under the formal action, a portion of the fund balance of the General Fund is committed for budget stabilization arrangement, such as might be needed when revenue shortages or budgetary imbalances occur. The Policy states that, at fiscal year-end, an amount equal \$6,000,000 of the General Fund is to be committed for use to maintain services at the same level as was contracted in the event of revenue budgetary shortfall (revenue fall 10% below budget). At June 30, 2026, \$6,000,000 was committed for the budgetary stabilization reserve.

Minimum Fund Balance Policy

In May 2018, the Commission approved Action Item #18-12, which created a minimum fund balance reserve policy. The minimum fund balance reserve is set at an amount equal to \$4,000,000. The reserve is to be replenished as soon as economic conditions allow. As of June 30, 2026, the Commission had \$4,000,000 of the targeted reserve amount of \$4,000,000 in unassigned fund balance, pursuant to the policy.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 7 - Special Funding – Other Programs

The Riverside IMPACT (Improve and Maximize Programs so All Children Thrive) Legacy program is dedicated to enhancing the quality of early learning environments across a diverse range of voluntary settings, including licensed centers, family child-care homes (FCCH), legally exempt centers, family, friend, and neighbor (FFN) care, and alternative settings serving children ages 0 to 5.

First 5 California initially awarded the Commission \$7,698,631 to support the IMPACT initiative over a two-year period beginning in FY 2023-24. In FY 2025-26, the agreement was amended to extend the initiative to three years and increase the total award to \$11,156,265. As the fiscal lead for the region, the Commission administers the award on behalf of Riverside County and partner First 5 Commissions in San Bernardino, Orange, and Imperial counties, including pass-through funding to those partners.

Funds claimed for the year ending June 30, 2026 totaled \$3,412,608. The IMPACT program requires matching contributions from program partners at a 2:1 ratio, meaning First 5 California provides two dollars for every one dollar of local matching funds. The Commission also secured \$73,894 in IMPACT-related funding from the Riverside County Office of Education.

Additionally, the Commission received \$746,775 from Inland Empire Health Plan (IEHP) to support home visitation and related early childhood initiatives and \$80,000 from the University of California, Irvine (UCI) for program activities, bringing total IMPACT, home visitation, and related program funding to \$4,239,383.

The Riverside County Department of Public Social Services has provided funding to support countywide family support programs. During the year ended June 30, 2026, the Commission received \$4,196,949 through the California Work Opportunity and Responsibility to Kids (CalWORKs) program and \$2,500,000 to support Family Resource Centers throughout the County. These funds support services designed to strengthen families, promote child well-being, and connect residents with community resources and support services.

In addition, the Riverside County Board of Supervisors approved federal funding allocations of \$15,000,000 on September 14, 2021, \$8,000,000 on January 24, 2023, and \$72,202 on January 9, 2024, for a total of \$23,072,202 through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) established under the American Rescue Plan Act of 2021 (ARPA). These funds were designated for the Commission's Early Care & Education Recovery activities in Riverside County.

As of June 30, 2026, the Commission had incurred \$20,565,442 in eligible ARPA expenditures, consisting of \$5,781,770 in FY 2022, \$7,255,855 in FY 2023, \$2,251,691 in FY 2024, \$4,580,490 in FY 2025, and \$695,636 in FY 2026. During FY 2024-25, the Commission transferred \$3,000,000 of ARPA funding to the County of Riverside Executive Office to support the Lakeland Village Childcare Infrastructure Project. ARPA funds were required to be obligated by December 31, 2024, and expended by December 31, 2026. As of June 30, 2026, no ARPA funds remained unspent.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 8 - Related Party Transactions

The required composition of the Board of Commissioners is consistent with the Children and Families Act of 1998 and Riverside County Ordinance 784. Some of the programs funded by First 5 Riverside are operated by organizations associated with the Commissioners. Commissioners must abstain from discussion and voting on issues directly related to their respective organizations. The Commission also utilizes the County Counsel for its legal services.

The following is a summary of related party amounts at June 30, 2026:

Organization	Expenditure Amount	Payable Amounts
County Counsel	\$ 43,204	\$ -
Department of Public Health	438,512	-
Jurupa Unified School District	929,612	89,176
Riverside County Office of Education	<u>2,731,257</u>	<u>350,823</u>
Total	<u>\$ 4,142,585</u>	<u>\$ 439,999</u>

The expenditure amounts are included in Professional and Specialized Services.

Note 9 - Program Evaluation

In accordance with the *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, 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.

For the year ended June 30, 2026, the Commission expended \$723,951 on program evaluation.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 10 - Retirement Plan

A. General Information about the Pension Plan

Plan Descriptions – The County contracts with CalPERS to provide retirement benefits to its employees. CalPERS is a common investment and administrative agent for participating public entities with the State of California. All qualified permanent and probationary employees are eligible to participate in the County's Miscellaneous (all other) Employee Pension Plans, an agent multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information may be obtained from: California Public Employee's Retirement System, 400 Q Street, P.O. Box 942701, Sacramento, California 94229-2701 or can be found on the CalPERS website at: <http://www.calpers.ca.gov>.

The employees of the Commission are employees of the County. The Commission reimburses the County for all pension plan costs and participates in the County's agent employer plan. For financial reporting purposes, the Commission reports a proportionate share of the County's collective net pension liability, pension expense, and deferred outflows and inflows of resources. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost-sharing participant. For additional details of the County's pension plan, refer to the County of Riverside Annual Comprehensive Financial Report.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2026, are summarized as follows:

	Miscellaneous		
	Tier I Prior to 8/23/2012	Tier II 8/23/2012 through 12/31/2012	Tier III On or after 1/1/2013
Hire Date	8/23/2012	12/31/2012	1/1/2013
Formula	3% at 60	2% @ 60	2% @ 62
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Final Compensation	12 months	36 months	36 months
PEPRA Compensation Limit	N/A	N/A	\$ 159,733
Benefit Payments	monthly for life	monthly for life	monthly for life
Earliest Retirement Age	50	50	52
Required Employee Contribution Rates	8.0%	7.0%	7.25%
Required Employer Contribution Rates	23.05%	23.05%	23.05%

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers must be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis.

Active plan members in CalPERS are required to contribute up to 8% (Miscellaneous employees) of their annual covered salary as specified in the governing Memorandum of Understanding or as provided by state statute. The Commission's contributions to the County plan were \$1,255,468 for the year ended June 30, 2026.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2026, the Commission reported a net pension liability for its proportionate share of the County’s miscellaneous plan net pension liability of \$6,137,862.

The Commission’s net pension liability was measured as the proportionate share of the County’s net pension liability based on its actual 2026 contributions in relation to all County contributions to the Plan.

The net pension liability of the Plan was measured as of June 30, 2025, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024, rolled forward to June 30, 2025, using standard update procedures. The Commission's proportionate share of the County's miscellaneous pension plan's net pension liability, measured as of June 30, 2024, and 2025 was 0.307451% and 0.299380%, respectively.

For the year ended June 30, 2026, the Commission recognized pension expense of \$1,534,845. At June 30, 2026, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Actual and Expected Experience	\$ 506,147	\$ (23,067)
Changes In Assumptions	77,374	-
Net Differences Between Projected and Actual Earnings		
On Plan investments	-	(743,685)
Changes In Proportion and Difference Between		
Commission's Contributions and Proportionate Share of		
Contributions	290,340	(176,671)
Contributions Subsequent To The Measurement Date	<u>1,255,468</u>	<u>-</u>
Total	<u><u>\$ 2,129,329</u></u>	<u><u>\$ (943,423)</u></u>

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

The amount of \$1,255,468 reported as deferred outflow of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2027	\$ 660,520
2028	(130,162)
2029	(323,643)
2030	(276,277)
	<u>\$ (69,562)</u>

Actuarial Assumptions – The Commission’s proportion of the County’s total pension liabilities in the June 30, 2024, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Mortality rate table (1)	Derived using CalPERS' Membership Data for all Funds
Post retirement benefit increase	Lesser of Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

- (1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 6.90% for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the County’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Real Return ^{1,2}
Public Equity	37.0%	4.56%
Private Equity	17.0%	5.56%
Fixed Income	28.0%	2.53%
Real Assets	15.0%	3.03%
Private Debt	8.0%	4.93%
Strategic Leverage	-5.0%	1.40%
Total	100%	

(1) Figures are based on the 2024 Mid-Cycle Asset Liability Management study.

(2) An expected annual rate of price inflation of 2.30% was used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the proportionate share of the net pension liability of the Commission, calculated using the discount rate for the Plan, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-Percentage point higher than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Commission's Proportionate Share of the Net Pension Liability	\$ 11,227,665	\$ 6,137,862	\$ 1,986,546

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and the County Annual Comprehensive Financial Report (ACFR). The County's financial statements may be found on the Auditor-Controller's Website: <http://www.auditorcontroller.org/>.

First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 11 - Risk Management

The Commission is part of the County of Riverside's insurance programs including coverage for general liability and auto liability. The County's insurance program for general and auto liability is a combination of self-insurance and excess insurance providing limits of liability of \$25,000,000 per occurrence.

The employees at the Commission are considered to be employees of the County of Riverside and are covered by the County's workers' compensation program. The County's workers' compensation program is a combination of self-insurance and excess insurance providing statutory limits of coverage as required by the State of California.

There were no significant reductions in insurance coverage during the fiscal year ended June 30, 2026. 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 12 - Contingencies

The Commission participates in state and federal programs, the principal of which are subject to program compliance. The amount of expenditures which may be disallowed, if any, by the granting agencies (First 5 California or State of California or federal awarding agencies) are anticipated to be immaterial.

The Commission is involved in various legal proceedings from time to time in the normal course of business. In management's opinion, the Commission is not involved in any legal proceeding that will have a material adverse effect on financial position or changes in financial position of the Commission.

This page intentionally left blank.

Required Supplementary Information
June 30, 2026

First 5 Riverside County Children and Families Commission



This page intentionally left blank.

First 5 Riverside County Children and Families Commission
Schedule of the Commission's Proportionate Share of the Net Pension Liability (Miscellaneous Plan)
Last Ten Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Commission's proportion of the net pension liability	0.299380%	0.307451%	0.292782%	0.285902%	0.322377%	0.303069%	0.214360%	0.243538%	0.240294%	0.181543%
Commission's proportionate share of the net pension liability	\$ 6,137,862	\$ 7,460,461	\$ 7,333,106	\$ 6,901,560	\$ 3,253,591	\$ 6,463,224	\$5,065,275	\$ 5,301,689	\$ 5,231,069	\$ 2,987,791
Covered payroll	\$ 4,685,454	\$ 3,628,795	\$ 3,327,557	\$ 3,734,131	\$ 3,481,611	\$ 2,638,451	\$ 2,660,118	\$ 2,581,044	\$ 1,944,230	\$ 1,590,991
Commission's proportionate share of the net pension liability as a percentage of covered payroll	131.00%	205.59%	220.38%	184.82%	93.45%	244.96%	190.42%	205.41%	269.06%	187.79%
Plan fiduciary net position as a percentage of the total pension liability	82.73%	78.32%	76.24%	75.92%	89.13%	76.03%	72.08%	72.12%	71.03%	74.51%
Measurement date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016

First 5 Riverside County Children and Families Commission
Schedule of Contributions
Last Ten Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Required Commission contributions	\$ 1,255,468	\$ 1,565,664	\$ 1,334,938	\$ 924,394	\$ 948,918	\$ 866,994	\$ 523,854	\$ 505,552	\$ 438,501	\$ 325,821
Contributions in relation to the actuarially determined contribution	<u>1,255,468</u>	<u>1,565,664</u>	<u>1,334,938</u>	<u>924,394</u>	<u>948,918</u>	<u>866,994</u>	<u>523,854</u>	<u>505,552</u>	<u>438,501</u>	<u>325,821</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,640,819	\$ 4,685,454	\$ 3,628,795	\$ 3,327,557	\$ 3,734,131	\$ 3,481,611	\$ 2,638,451	\$ 2,660,118	\$ 2,581,044	\$ 1,944,230
Contributions as a percentage of covered payroll	27.05%	33.42%	36.79%	27.78%	25.41%	24.90%	19.85%	19.00%	16.99%	16.76%

First 5 Riverside County Children and Families Commission
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – General Fund
Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget- over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget Positive (Negative)
	Original	Final			
Budgetary Revenues					
Tobacco taxes	\$ 14,806,156	\$ 14,806,156	\$ -	\$ 14,105,162	\$ (700,994)
IMPACT	3,464,384	3,457,634	(6,750)	3,412,608	(45,026)
Other programs	6,795,549	7,838,969	1,043,420	7,597,618	(241,351)
Investment income	1,408,663	1,408,663	-	1,065,731	(342,932)
Miscellaneous	-	-	-	22,683	22,683
Total budgetary revenues	26,474,752	27,511,422	1,036,670	26,203,802	(1,307,620)
Budgetary Expenditures					
Current					
Salaries and benefits	9,152,074	9,249,864	97,790	8,201,233	1,048,631
Professional and specialized services	19,239,126	25,405,050	6,165,924	21,688,226	3,716,824
Services and supplies	3,015,554	2,598,870	(416,684)	1,998,415	600,455
Capital outlay	-	75,000	75,000	74,260	740
Total budgetary expenditures	31,406,754	37,328,784	5,922,030	31,962,134	5,366,650
Net Change in Fund Balance	(4,932,002)	(9,817,362)	(4,885,360)	(5,758,332)	4,059,030
Budgetary Fund Balance, Beginning of Year	32,528,988	32,528,988	-	32,528,988	-
Budgetary Fund Balance, Ending	\$ 27,596,986	\$ 22,711,626	\$ (4,885,360)	\$ 26,770,656	\$ 4,059,030
Reconciliation to GAAP Basis					
Total fund balance GAAP basis				<u>\$ 26,770,656</u>	

First 5 Riverside County Children and Families Commission
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – ARPA Fund
Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget- over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget Positive (Negative)
	Original	Final			
Budgetary Revenues					
Other programs	\$ 250,000	\$ 695,636	\$ 445,636	\$ 294,098	\$ (401,538)
Budgetary Expenditures					
Current					
Professional and specialized services	250,000	695,636	445,636	695,636	-
Net Change in Fund Balance	-	-	-	(401,538)	(401,538)
Budgetary Fund Balance, Beginning of Year	401,538	401,538	-	401,538	-
Budgetary Fund Balance, Ending	<u>\$ 401,538</u>	<u>\$ 401,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (401,538)</u>
Reconciliation to GAAP Basis					
Total fund balance GAAP basis				<u>\$ -</u>	

First 5 Riverside County Children and Families Commission
Notes to Required Supplementary Information
June 30, 2026

Note 1 - Budget and Budgetary Process

The annual budget is adopted on a basis consistent with Generally Accepted Accounting Principles for the general fund and ARPA fund. The appropriated budget is prepared utilizing fund and department categories. Transfer of appropriations between categories must be approved by the Commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

The Commission adopts an annual budget, which can be amended by the Commission throughout the year. The basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures.

Note 2 - Budgetary Analysis

The following provides a summary of the primary factors that caused variances between the original budget and final budget, and the final budget and actual amounts.

Original to Final Budget

General Fund:

During FY 2025–26, the Commission approved budget revisions to reflect updated program revenues, contractual commitments, and infrastructure investments. General Fund budgeted revenues increased by approximately \$1.0 million, primarily from a \$1.04 million increase in Other Programs revenue. Budgeted expenditures increased by approximately \$5.9 million, driven largely by additional Commission-approved Early Care and Education infrastructure investments to expand childcare capacity throughout Riverside County. Revisions also included adjustments to operating expenditures and a \$75,000 capital equipment appropriation.

As a result, the budgeted General Fund decrease in fund balance increased from approximately \$4.9 million to \$9.8 million, reflecting the planned use of accumulated resources for approved investments and program commitments.

ARPA Fund:

In the ARPA Fund, the revenue and expenditure budgets each increased by approximately \$446,000, to \$695,636, to support completion of the Jan Peterson Child Day Care Center expansion.

Final Budget to Actual

General Fund:

For the year ended June 30, 2026, General Fund revenues were approximately \$1.3 million below the final budget, primarily because tobacco tax revenues were about \$701,000 below budget, investment income was about \$343,000 below, and Other Programs revenue was about \$241,000 below. General Fund expenditures were approximately \$5.4 million below the final budget. The largest expenditure variances were in salaries and benefits and professional and specialized services. Salaries and benefits were approximately \$1.0 million below budget, primarily due to vacancies, turnover, and the timing of filling budgeted positions. The authorized staffing level included vacant and anticipated positions and did not represent positions continuously filled throughout the year.

First 5 Riverside County Children and Families Commission
Notes to Required Supplementary Information
June 30, 2026

Professional and specialized services were approximately \$3.7 million below budget, primarily due to lower-than-budgeted contract expenditures and the timing of program and infrastructure contract activity. Certain multi-year contracts and projects were not fully expended as of June 30, 2026. The actual General Fund decrease in fund balance was approximately \$5.8 million, compared with the final budgeted decrease of approximately \$9.8 million.

ARPA Fund:

ARPA Fund revenues were approximately \$402,000 below the final budget, while expenditures of \$695,636 were consistent with the final budget. Actual revenue of approximately \$294,000 was recognized during the year; the remaining \$402,000 of expenditures was funded from beginning fund balance.

Other Supplementary Information
June 30, 2026

First 5 Riverside County Children and Families Commission



This page intentionally left blank.

First 5 Riverside County Children and Families Commission
Schedule of First 5 California Funding
Year Ended June 30, 2026

<u>Program</u>	<u>Source</u>	<u>Revenue</u>	<u>Expenses</u>
IMPACT	F5CA Program Funds	\$ 3,412,608	\$ 3,412,608

This page intentionally left blank.

Compliance Section
June 30, 2026

First 5 Riverside County Children and Families Commission



This page intentionally left blank.



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*

To the Board of Commissioners
First 5 Riverside County Children and Families Commission
Riverside, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of First 5 Riverside County Children and Families Commission (Commission), a component unit of the County of Riverside, California, as of and for the year ended June 30, 2026, 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 21, 2026.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Eide Bailly LLP

Ontario, California
October 21, 2026



Independent Auditor's Report on State Compliance and on Internal Control over Compliance

To the Board of Commissioners
First 5 Riverside County Children and Families Commission
Riverside, California

Report on Compliance

Opinion

We have audited the First 5 Riverside County Children and Families Commission's (Commission), a component unit of the County of Riverside, California, compliance with the requirements specified in the State of California's *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2026.

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, 2026.

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 *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, 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 First 5 Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance 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 State of California's *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, 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 *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, 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.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Ontario, California
October 21, 2026