

Financial Statements

June 30, 2025

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

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



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# First 5 Riverside County Children and Families Commission

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# Financial Section



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## 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, 2025, 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, 2025, 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.

#### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, the Commission has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

### ***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 15, 2025, 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.



Rancho Cucamonga, California  
October 15, 2025

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**First 5 Riverside County Children and Families Commission  
Management's Discussion and Analysis  
(Unaudited)  
For Year Ended June 30, 2025**

## **Introduction**

On November 3, 1998, California voters approved Proposition 10, known as the California Children and Families Act. This landmark legislation increased tobacco taxes to provide dedicated funding for early childhood development programs, supporting children from the prenatal stage through age five and their families.

As the management team of the Riverside County Children and Families Commission (Commission), we are pleased to present this overview and analysis of the financial activities for the fiscal year ended June 30, 2025, as part of our Financial Statements. We encourage readers to review this section in conjunction with the Commission's basic financial statements and accompanying notes for a complete understanding of its financial position and results of operations.

## **Financial Highlights**

- The Commission reported revenues of approximately \$14.2 million from First 5 California, a decrease of \$2.0 million, or 12.7%, compared to FY 2023–24. Total revenues for FY 2024–25 reached \$30.8 million, comprising income from tobacco taxes, First 5 California initiatives (including IMPACT and Home Visiting), American Rescue Plan Act (ARPA) funding, family resource center reimbursements, investment earnings, and other program revenues. Overall, total revenues increased by 11.0% compared to the prior fiscal year. The year-over-year increase reflects primarily one-time ARPA reimbursements and timing of intergovernmental receipts rather than recurring growth in operating revenues.
- The Commission continued to maximize the impact of Proposition 10 revenues by leveraging additional state, federal, and local funding sources. Each Proposition 10 dollar supported approximately \$2.36 in total services through partnerships with First 5 California, the American Rescue Plan Act (ARPA), CalWORKs, Medi-Cal managed care, and local investment income. This leveraging strategy sustained early childhood programs, supported workforce stabilization, and advanced child care infrastructure improvements across the County.
- Commission expenses totaled approximately \$33.4 million in FY 2024–25, an increase of \$6.5 million, or 24.3%, compared to FY 2023–24. The increase is primarily attributed to ARPA wage enhancement payments distributed during the fiscal year. A fourth round of wage enhancement payments began late in FY 2023–24, with most disbursements recorded in FY 2024–25.
- The Commission's assets decreased from \$50.1 million in FY 2023–24 to \$39.8 million in FY 2024–25, a decline of 20.5%, primarily due to a reduction in cash and investments. Liabilities totaled approximately \$13.6 million, a decrease of \$7.7 million, or 36.2%, compared to FY 2023–24, mainly due to the recognition of unearned revenue during the fiscal year.
- The Commission's General Fund balance decreased from \$34.6 million in FY 2023–24 to \$32.5 million in FY 2024–25, a decrease of 6.0%. The Commission's net position decreased by 8.4%, from \$31.7 million in FY 2023–24 to \$29.0 million in FY 2024–25.

**First 5 Riverside County Children and Families Commission  
Management's Discussion and Analysis  
(Unaudited)  
For Year Ended June 30, 2025**

**Overview of the Financial Statements**

The Commission's financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Together, these provide essential high-level information about the Commission's financial activities. This report also includes supplementary information that supports the basic financial statements.

**Government-Wide Financial Analysis**

The government-wide financial statements provide a broad overview of the Commission's finances, similar to private-sector reporting. These statements present both long-term and short-term information about the Commission's overall financial position. The Statement of Net Position reports assets, deferred outflows, and liabilities, with the difference representing net position. Changes in net position indicate financial performance over time. The Statement of Activities shows how net position changed during the fiscal year through revenues and expenses.

**Fund Financial Statements**

Fund accounting ensures and demonstrates compliance with finance-related legal requirements. The Commission maintains two governmental fund, the General Fund and ARPA Fund, for which an annual budget is adopted. Fund financial statements focus on near-term inflows and outflows of spendable resources, and a budgetary comparison schedule is provided to demonstrate compliance.

**Notes to the Financial Statements**

The notes provide additional information that is integral to a full understanding of the data presented in the government-wide and fund financial statements. In addition, required supplementary information related to pensions and the budget is also included.

**First 5 Riverside County Children and Families Commission  
Management’s Discussion and Analysis  
(Unaudited)  
For Year Ended June 30, 2025**

**Government-Wide Financial Analysis**

The following is a summary of the Commission’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position comparing FY 2023–24 to FY 2024–25:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Dollar Increase/ (Decrease)</u>	<u>Percent Increase/ (Decrease)</u>
<b>Assets:</b>				
Cash and investments	\$34,586,403	\$41,231,989	\$(6,645,586)	-16.1%
Interest receivable	294,268	341,726	(47,458)	-13.9%
Due from other governments	3,238,796	6,739,542	(3,500,746)	-51.9%
Capital assets	1,690,241	1,760,728	(70,487)	-4.0%
<b>Total assets</b>	<u>\$39,809,708</u>	<u>\$50,073,985</u>	<u>\$(10,264,277)</u>	<u>-20.5%</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	3,112,681	3,508,884	(396,203)	-11.3%
<b>Liabilities:</b>				
Accounts payable	\$2,792,013	\$4,239,467	\$(1,447,454)	-34.1%
Accrued wages and benefits	407,330	315,582	91,748	29.1%
Use tax payable	99	87	12	13.8%
Due to other governments	898,781	759,280	139,501	18.4%
Unearned revenue	1,052,393	8,086,108	(7,033,715)	-87.0%
Compensated absences	987,130	585,417	401,713	68.6%
Net pension liability	7,460,461	7,333,106	127,355	1.7%
<b>Total liabilities</b>	<u>13,598,207</u>	<u>\$ 21,319,047</u>	<u>\$(7,720,840)</u>	<u>-36.2%</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	324,799	610,424	(285,625)	-46.8%
<b>Net Position</b>				
Investment in capital assets	\$1,690,241	\$ 1,760,728	\$(70,487)	-4.0%
Restricted for Early Care & Edu Recovery	401,538	311,400	90,138	28.9%
Unrestricted	26,907,604	29,581,270	(2,673,666)	-9.0%
<b>Total Net Position</b>	<u>\$28,999,383</u>	<u>\$31,653,398</u>	<u>\$(2,654,015)</u>	<u>-8.4%</u>

The Commission’s total assets were \$39.8 million in FY 2024–25, a decrease of \$10.3 million, or 20.5%, compared to the prior year. Cash and investments declined by \$6.6 million, or 16.1%, primarily due to lower Proposition 10 and ARPA revenues, along with the normal timing of receipts near year-end. This also contributed to a \$3.5 million decrease in amounts due from other governments. Total liabilities decreased from \$21.3 million in FY 2023–24 to \$13.6 million in FY 2024–25, primarily due to the recognition of unearned revenue associated with ARPA and other reimbursable program receipts recorded in prior periods.

**First 5 Riverside County Children and Families Commission  
Management’s Discussion and Analysis  
(Unaudited)  
For Year Ended June 30, 2025**

The 4.0% decrease in capital assets reflects ongoing depreciation. Additional information on capital assets can be found in Note 4 to the financial statements. The Commission’s net position decreased by approximately \$2.7 million, or 8.4%, from FY 2023–24 to FY 2024–25, reflecting the planned use of reserves to sustain program operations during the ARPA close-out period.

**Governmental Activities**

The following is a detailed summary of the Commission’s revenue, expenses, and change in net position comparing FY 2023–24 with FY 2024–25:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Dollar Increase/ (Decrease)</u>	<u>Percent Increase/ (Decrease)</u>
<b>Revenues</b>				
Program revenues				
Tobacco taxes	\$14,192,057	\$16,256,575	\$(2,064,518)	-12.7%
First 5 CA (IMPACT, HV)	4,103,018	3,808,592	294,426	7.7%
Other programs	10,638,255	5,523,988	5,114,267	92.6%
Total Program Revenue	<u>\$28,933,330</u>	<u>\$25,589,155</u>	<u>\$3,344,175</u>	<u>13.1%</u>
General Revenues				
Investment income	1,901,505	2,102,774	(201,269)	-9.6%
Contributions from County	0	98,480	(98,480)	-100.0%
Total Revenues	<u>\$30,834,835</u>	<u>\$27,790,409</u>	<u>\$3,044,426</u>	<u>11.0%</u>
<b>Expenses</b>				
Salaries and benefits	\$8,713,956	\$7,390,809	\$1,323,147	17.9%
Professional and specialized services	22,626,816	17,706,290	4,920,526	27.8%
Services and supplies	2,014,823	1,772,081	242,742	13.7%
Capital related	70,487	21,689	48,798	225.0%
Total Expenses	<u>\$33,426,082</u>	<u>\$26,890,869</u>	<u>\$6,535,213</u>	<u>24.3%</u>
<b>Net Change in Net Position</b>	<u>\$(2,591,247)</u>	<u>\$899,540</u>	<u>\$(3,490,787)</u>	<u>-388.1%</u>
<b>Net Position, Beginning of the Year</b>	<u>\$31,653,398</u>	<u>\$30,753,858</u>	<u>\$899,540</u>	<u>2.9%</u>
<b>Adjustments (Note 13)</b>	<u>(62,768)</u>	<u>0</u>	<u>(62,768)</u>	<u>-100.0%</u>
<b>Net Position, Beginning, as restated</b>	<u>\$31,590,630</u>	<u>30,753,858</u>	<u>836,772</u>	<u>2.7%</u>
<b>Net Position, End of the Year</b>	<u><u>\$28,999,383</u></u>	<u><u>\$31,653,398</u></u>	<u><u>\$(2,654,015)</u></u>	<u><u>-8.4%</u></u>

The Commission received approximately \$30.8 million in revenues in FY 2024–25, an increase of \$3.0 million, or 11.0%, from the prior year. The increase was primarily due to growth in other program revenues, while tobacco tax revenue decreased by \$2.1 million, or 12.7%, compared to FY 2023–24.

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The increase in other program revenues also reflects the continued expansion of the Commission's braided funding model for Home Visiting services. By aligning Proposition 10 resources with CalWORKs Home Visiting allocations, the Commission maintained a \$4.2 million system capacity despite reductions in state funding and expanded access for families whose eligibility fluctuated. This approach preserved service capacity and prevented interruptions in home visiting access during state funding reductions, through continued collaboration with the Department of Public Social Services.

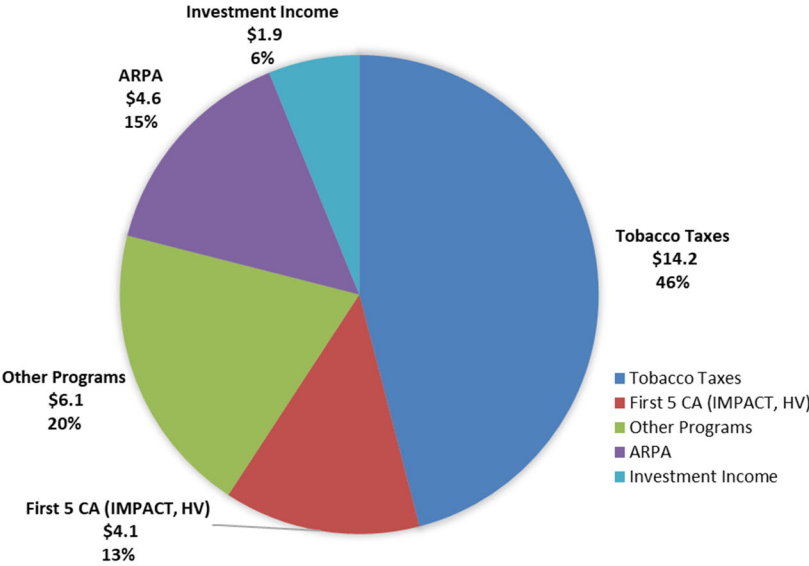
Total expenses for FY 2024–25 increased by \$6.5 million, or 24.3%, compared to the previous year. Salaries and benefits rose by \$1.3 million, reflecting union-driven salary and benefit increases, hiring vacant positions, and position reclassifications. Professional and specialized services increased by \$4.9 million, or 27.8%, reflecting both ARPA wage enhancement distributions and timing of HealthySteps expansion reimbursements. A fourth round of wage enhancement payments began late in FY 2023–24, with most disbursements recorded in FY 2024–25. Services and supplies also experienced a modest increase of \$242,742, or 13.7%.

Capital-related expenses increased by \$48,798 from FY 2023–24 to FY 2024–25, primarily due to annual depreciation of capital assets.

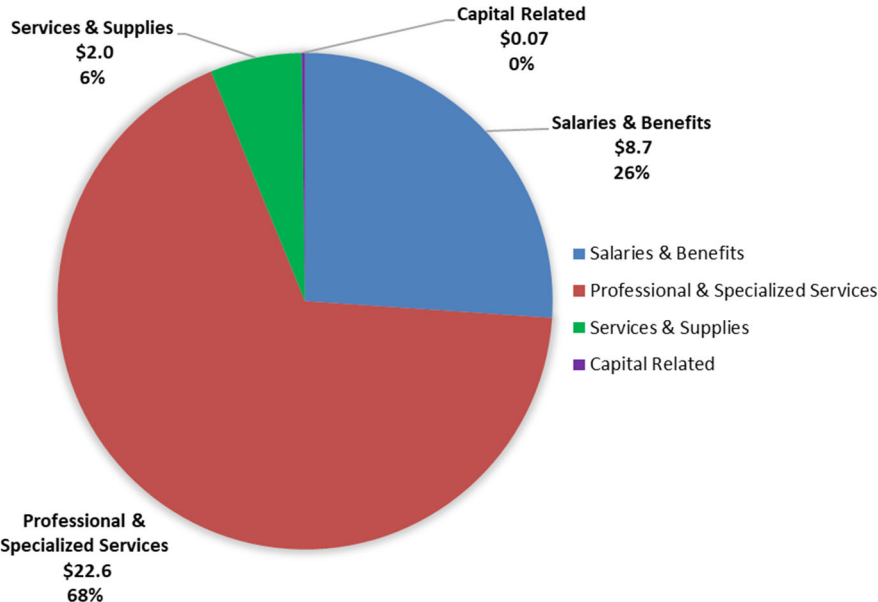
**First 5 Riverside County Children and Families Commission  
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 (Unaudited)  
 For Year Ended June 30, 2025**

Below are revenue and expenses for FY 2024–25, depicting each category in millions:

**FY 2024–25 Revenues (in millions)  
 Total: \$30.8**



**FY 2024–25 Expenses (in millions)  
 Total: \$33.4**





**First 5 Riverside County Children and Families Commission  
Management’s Discussion and Analysis  
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For Year Ended June 30, 2025**

**Financial Analysis of Governmental Funds**

As previously noted, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Commission’s General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Fund balance serves as a key measure of the Commission’s committed, assigned and available resources for future operations.

<u>Fund Balances</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Dollar Increase/ (Decrease)</u>	<u>Percent Increase/ (Decrease)</u>
Committed	\$13,614,811	\$15,516,430	\$(1,901,619)	-12.3%
Assigned	2,888,382	0	2,888,382	100.0%
Unassigned	16,025,795	19,084,903	(3,059,108)	-16.0%
Total Fund Balance - General Fund	<u>\$32,528,988</u>	<u>\$34,601,333</u>	<u>\$(2,072,345)</u>	<u>-6.0%</u>

The General Fund is the chief operating fund of the Commission. At the end of FY 2024–25, the General Fund balance decreased by 6.0%, or approximately \$2.0 million, compared to FY 2023–24. To assess the General Fund’s liquidity, it is useful to compare total fund balance to total General Fund expenditures. Total General Fund expenditures of \$28.2 million represent approximately 86.7% of the year-end fund balance of \$32.5 million.

**General Fund Budgetary Highlights**

The General Fund is the primary operating fund of the Commission and accounts for Proposition 10, First 5 California, and other ongoing program revenues. The Commission’s FY 2024–25 amended budget was compared to actual revenues, and the differences between estimated and actual amounts were as follows:

<u>Revenues</u>	<u>Final Budget</u>	<u>Actual Revenue</u>	<u>Over/(Under) Estimate</u>	<u>Percent Change</u>
Tobacco Taxes	\$16,100,000	\$14,153,732	\$(1,946,268)	-12.1%
First 5 CA (IMPACT, HV)	4,158,327	4,103,018	(55,309)	-1.3%
Other programs	6,605,049	6,057,765	(547,284)	-8.3%
Investment income	600,000	1,811,367	1,211,367	201.9%
Contributions from County	211,520	0	(211,520)	-100.0%
Total Revenue	<u>\$27,674,896</u>	<u>\$26,125,882</u>	<u>\$(1,549,014)</u>	<u>-5.6%</u>

Tobacco tax revenue totaled \$1.9 million below projections, primarily due to continued declines in tobacco product sales across California and the ongoing effects of the statewide flavor ban implemented in December 2022. This category also includes revenue from the California Electronic Cigarette Excise Tax (CECET), assessed at 12.5% of the retail selling price of electronic cigarettes.

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Revenues from First 5 California initiatives, including IMPACT and Home Visiting, as well as CalWORKs and Family Resource Center reimbursements, were consistent with budget projections and fully reimbursed. The variance within other program revenues was limited to the HealthySteps expansion funded by Inland Empire Health Plan (IEHP), where unspent program allocations could not be recognized as revenue during FY 2024–25. These funds remain available and are expected to be utilized in FY 2025–26 as the program expansion progresses under existing MOU terms with IEHP.

Investment income significantly exceeded expectations, coming in 201.9% higher than budgeted, driven by higher average interest rates in the County Treasury Pool (approximately 4.9% compared to 2.5% projected)

The differences between estimated and actual expenditures were as follows:

<u>Expenditures</u>	<b>Final Budgeted Expenditures</b>	<b>Actual Expenditures</b>	<b>Over/(Under) Estimate</b>	<b>Percent Change</b>
Salaries and Benefits	\$8,148,696	\$8,025,988	\$(122,708)	-1.5%
Professional and Specialized Services	23,022,781	18,157,416	(4,865,365)	-21.1%
Services and Supplies	2,653,419	2,014,823	(638,596)	-24.1%
Total Expenses	\$33,824,896	\$28,198,227	\$(5,626,669)	-16.6%

Actual salaries and benefits totaled \$8.0 million, consistent with the budget, with minor savings from ongoing vacancies and recruitment timing.

Professional and specialized services expenditures were 21.1% below budget, primarily reflecting the timing of program activities and the corresponding delays in utilizing certain contractual allocations, including funding for the IEHP HealthySteps expansion.

**ARPA Fund Budgetary Highlights**

The ARPA Fund accounts for revenues and expenditures related to the Early Care and Education (ECE) Recovery Fund, established under the American Rescue Plan Act (ARPA). The Commission’s FY 2024–25 amended budget for this fund was compared to actual revenues and expenditures as follows:

<u>Revenues</u>	<b>Final Budget</b>	<b>Actual Revenue</b>	<b>Over/(Under) Estimate</b>	<b>Percent Change</b>
Other programs	\$8,276,126	\$4,580,490	\$(3,695,636)	-44.7%
Investment income	-	90,138	90,138	100%
Total Revenue	\$8,276,126	\$4,670,628	\$(3,605,498)	-43.6%

**First 5 Riverside County Children and Families Commission  
 Management’s Discussion and Analysis  
 (Unaudited)  
 For Year Ended June 30, 2025**

<u>Expenditures</u>	<u>Final Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Over/(Under) Estimate</u>	<u>Percent Change</u>
Salaries and Benefits	\$ -	\$111,090	\$111,090	100%
Professional and Specialized Services	8,276,126	4,469,400	(3,806,726)	-46.0%
Total Expenses	<u>\$8,276,126</u>	<u>\$4,580,490</u>	<u>\$(3,695,636)</u>	<u>-44.7%</u>

Actual ARPA revenues for FY 2024–25 totaled \$4.7 million, approximately \$3.6 million, or 43.6%, below the final budget. The variance was primarily due to \$3.0 million in ARPA funds that were reallocated back to the County to directly support a child care infrastructure project. As a result, the related revenues and expenditures were not recorded by the Commission as they were administered directly by the County.

**Compensated Absences**

During FY 2024–25, the Commission’s compensated absences liability increased by approximately \$402 thousand, or 68.6%, from FY 2023–24. The increase reflects the initial implementation of GASB Statement No. 101 on compensated absences, along with new employees entering service with accrued leave balances and higher year-end carryovers of unused leave. Additional information on compensated absences is provided in Note 5 to the financial statements. The implementation of GASB 101 did not materially affect the Commission’s overall net position.

**Capital Assets**

During FY 2024–25, the Commission’s net capital assets decreased by \$70,487, primarily due to accumulated depreciation. Additional information on capital assets is provided in Note 4 to the financial statements.

**Economic Factors and Next Year’s Budget**

Over the past five years, Proposition 10 has seen an average annual decline of 9%, while Proposition 56 has remained steady. As a result, total tobacco tax revenue decreased by 12.7% from FY 2023–24 to FY 2024–25. With the statewide flavor ban implemented in December 2022, tobacco tax revenue is projected to continue declining in future years. The FY 2025–26 adopted budget reflects this anticipated reduction and transitions operations from one-time ARPA funding to the Commission’s core revenues.

During FY 2024–25, the Commission administered approximately \$8 million in American Rescue Plan Act (ARPA) funding on behalf of the County of Riverside through the Early Care and Education (ECE) Recovery Fund. These one-time funds supported the stabilization and expansion of early care and education services, helping parents return to the workforce and supporting the growth of ECE facilities. As ARPA funding concludes, future budgets will rely primarily on Proposition 10 and other ongoing revenue sources to sustain early childhood investments. The Commission may continue to draw from committed reserves to maintain service levels while pursuing new federal, state, County, City, business, and philanthropic partnerships.

**First 5 Riverside County Children and Families Commission  
Management’s Discussion and Analysis  
(Unaudited)  
For Year Ended June 30, 2025**

The Commission’s fiscal approach emphasizes the purposeful use of reserves to stabilize services amid declining Proposition 10 revenue. Committed fund balances, including the Budget Stabilization and Minimum Fund Balance designations, continue to safeguard program continuity and cash flow for ongoing contractual obligations. This disciplined strategy ensures that one-time ARPA investments translate into lasting infrastructure and workforce capacity beyond the life of the grant.

**FY 2024–25 At-a-Glance**

Total Revenues	\$30.8 million
Total Expenditures (excluding non-cash items)	\$32.8 million
Ending Fund Balance (General Fund)	\$32.5 million
ARPA-Restricted Balance	\$0.4 million
Leverage Ratio	\$2.36 in services per \$1 Prop 10
Year-End Liquidity (Cash & Investments)	\$34.6 million

This financial report reflects the Commission’s fiscal discipline and commitment to maintaining prevention infrastructure while revenues decline. It is intended to provide a comprehensive overview of the Commission’s financial condition. As the Commission develops its 2027–2030 Strategic Plan, it will continue leveraging Proposition 10 as seed capital to attract broader state, federal, and local investment—ensuring timely, coordinated services for Riverside County’s youngest children and their families.

**Request for Information**

Questions concerning any of the information presented, or requests for additional information, may be directed to Patricia Perez, Deputy Director, Riverside County Children and Families Commission (First 5 Riverside County), 585 Technology Court, Riverside, California 92507.

# Basic Financial Statements



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**First 5 Riverside County Children and Families Commission**  
Statement of Net Position  
June 30, 2025

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	Governmental Activities
<b>Assets</b>	
Cash and investments in County Treasury	\$ 34,586,403
Interest receivable	294,268
Due from other governments	3,238,796
Capital assets not being depreciated	373,380
Capital assets, net of accumulated depreciation	1,316,861
Total assets	39,809,708
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	3,112,681
<b>Liabilities</b>	
Accounts payable	2,792,013
Accrued wages and benefits	407,330
Use tax payable	99
Due to other governments	898,781
Unearned revenue	1,052,393
Compensated absences	
Payable within one year	642,569
Payable after one year	344,561
Net pension liability	7,460,461
Total liabilities	13,598,207
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	324,799
<b>Net Position</b>	
Investment in capital assets	1,690,241
Restricted for Early Care & Education Recovery	401,538
Unrestricted	26,907,604
Total net position	\$ 28,999,383

**First 5 Riverside County Children and Families Commission**  
Statement of Activities  
Year Ended June 30, 2025

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Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental Activities			
Child development	<u>\$ 33,426,082</u>	<u>\$ 28,933,330</u>	<u>\$ (4,492,752)</u>
Total governmental activities	<u>\$ 33,426,082</u>	<u>\$ 28,933,330</u>	<u>(4,492,752)</u>
General Revenues			
Investment income			<u>1,901,505</u>
Total general revenues			<u>1,901,505</u>
Change in Net Position			(2,591,247)
Total Net Position - Beginning, as previously reported			<u>31,653,398</u>
Adjustments (Note 13)			(62,768)
Total Net Position - Beginning, as restated			<u>31,590,630</u>
Total Net Position - Ending			<u>\$ 28,999,383</u>



**First 5 Riverside County Children and Families Commission**  
Balance Sheet – Governmental Funds  
June 30, 2025

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments in County Treasury	\$ 33,759,094	\$ 827,309	\$ 34,586,403
Interest receivable	294,268	-	294,268
Due from other governments	3,238,796	-	3,238,796
Total assets	<u>\$ 37,292,158</u>	<u>\$ 827,309</u>	<u>\$ 38,119,467</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,660,340	\$ 131,673	\$ 2,792,013
Accrued wages and benefits	407,330	-	407,330
Use tax payable	99	-	99
Unearned revenue	758,295	294,098	1,052,393
Due to other governments	898,781	-	898,781
Total liabilities	4,724,845	425,771	5,150,616
Deferred Inflows of Resources			
Unavailable revenues	38,325	-	38,325
Total deferred inflows of resources	38,325	-	38,325
<b>Fund Balances</b>			
Fund Balance			
Restricted	-	401,538	401,538
Committed	13,614,811	-	13,614,811
Assigned	2,888,382	-	2,888,382
Unassigned	16,025,795	-	16,025,795
Total fund balance	32,528,988	401,538	32,930,526
Total liabilities and fund balance	<u>\$ 37,292,158</u>	<u>\$ 827,309</u>	<u>\$ 38,119,467</u>

**First 5 Riverside County Children and Families Commission**  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2025

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

Fund Balance of Governmental Funds	\$ 32,930,526
Capital assets used for governmental activities in the amount of \$2,378,722 net of \$688,481 in accumulated depreciation, are not financial resources and therefore, are not reported in the funds.	1,690,241
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	(7,460,461)
Deferred outflows of resources	3,112,681
Deferred inflows of resources	(324,799)
Compensated absences liability is not reported in the fund financial statements.	(987,130)
Revenues reported as unavailable revenue in the governmental funds do not provide current financial resources but are recognized in the statement of activities.	38,325
Net Position of Governmental Activities	\$ 28,999,383

**First 5 Riverside County Children and Families Commission**  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2025

	General Fund	ARPA Fund	Total
Revenues			
Tobacco taxes	\$ 14,153,732	\$ -	\$ 14,153,732
IMPACT	4,103,018	-	4,103,018
Other programs	6,057,765	4,580,490	10,638,255
Investment income	1,811,367	90,138	1,901,505
Total revenues	26,125,882	4,670,628	30,796,510
Expenditures			
Current			
Child development			
Salaries and benefits	8,025,988	111,090	8,137,078
Professional and specialized services	18,157,416	4,469,400	22,626,816
Services and supplies	2,014,823	-	2,014,823
Total expenditures	28,198,227	4,580,490	32,778,717
Excess/(Deficiency) of Revenues over Expenditures	(2,072,345)	90,138	(1,982,207)
Net Change in Fund Balance	(2,072,345)	90,138	(1,982,207)
Fund Balance, Beginning of Year	34,601,333	311,400	34,912,733
Fund Balance, End of Year	\$ 32,528,988	\$ 401,538	\$ 32,930,526

**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, 2025

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

Net Change in Fund Balance - Total Governmental Funds	\$ (1,982,207)
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.	(70,487)
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.	(237,933)
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.	(338,945)
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.	<u>38,325</u>
Change in Net Position of Governmental Activities	<u><u>\$ (2,591,247)</u></u>

# Notes to Financial Statements



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## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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### **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 2023 through June 2026. 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, 2025

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### 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 15 and 16 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.

### 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.



## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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### **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 Outflow/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, 2025, the Commission has unearned revenues of \$1,052,393.

### **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.

### **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.

## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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### **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 50.0% 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 15 or more 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.

### **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:

- 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.

## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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### 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.

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

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

**GASB Statement No. 101** – *Compensated Absences* – As of July 1, 2024, the Commission adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 13.

**GASB Statement No. 102** – *Certain Risk Disclosures* – The Statement requires management to evaluate whether there are risks related to a government’s vulnerabilities due to certain concentrations or constraints that require disclosure. The Commission has determined this Statement did not have a material impact on the financial statements.

## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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### Effective in Future Fiscal Years

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

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

GASB Statement No. 104 – *Disclosures of Certain Capital Assets*

### Note 2 - Cash and Investments

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

Cash and Investments in County Treasury	<u>\$ 34,586,403</u>
Total cash and investments	<u><u>\$ 34,586,403</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:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio
Municipal Bonds (Muni)	5 years	15%
U.S. Treasury	5 years	100%
Local Agency Obligations (LAO)	3 years	2.5%
Federal Agencies	5 years	100%
Commercial Paper	270 days	40%
Certificate & Time Deposits (NCD & TCD)	2 years	20%
International Bank for Reconstruction and Development and International Finance Corporation	5 years	20%
Repurchase Agreements (REPO)	45 days	40% max/25% in term repo over 7 days
Reverse Repurchase Agreements	60 days	10%
Medium Term Notes (MTNO)	4 years	20%
CalTRUST Short Term Fund	Daily Liquidity	1%
Money Market Mutual Funds (MMF)	Daily Liquidity	20%
Local Agency Investment Funds (LAIF)	Daily Liquidity	Max \$75 million
Cash/Deposit Account	NA	NA

## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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### **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 1.28 years at June 30, 2025. The County pool investment fund is rated AAA-bf by Moody's Investor Service and AAA/V1 by Fitch Ratings.

### **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, 2025, 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, 2025 is uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

### 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, 2025, were as follows:

Prop 10 Revenue For May - June 2025	\$ 1,581,415
IMPACT	1,358,771
SMIF (interest)	100,691
Other	<u>197,919</u>
Total due from other governments	<u><u>\$ 3,238,796</u></u>

### Note 4 - Capital Assets

Capital assets activity for the year ended June 30, 2025, is shown below:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital Assets Not Depreciated				
Land	<u>\$ 373,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373,380</u>
Capital Assets Depreciated				
Building and improvements	1,897,938	-	-	1,897,938
Machinery and equipment	<u>141,024</u>	<u>-</u>	<u>(33,620)</u>	<u>107,404</u>
Total depreciable assets	<u>2,038,962</u>	<u>-</u>	<u>(33,620)</u>	<u>2,005,342</u>
Less - Accumulated Depreciation For				
Building and improvements	(543,911)	(53,827)	-	(597,738)
Machinery and equipment	<u>(107,703)</u>	<u>(16,660)</u>	<u>33,620</u>	<u>(90,743)</u>
Total accumulated depreciation	<u>(651,614)</u>	<u>(70,487)</u>	<u>33,620</u>	<u>(688,481)</u>
Total capital assets depreciated, net	<u>1,387,348</u>	<u>(70,487)</u>	<u>-</u>	<u>1,316,861</u>
Total capital assets, net	<u><u>\$ 1,760,728</u></u>	<u><u>\$ (70,487)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,690,241</u></u>

Depreciation expense for the year ended June 30, 2025 totaled \$70,487 and is included in child development in the statement of activities.

## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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### Note 5 - Compensated Absences

County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. 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. At June 30, 2025, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was \$987,130.

The County 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 the Public Employee’s Retirement System, unused accumulated sick leave for most employees with at least five (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 fifteen or more 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.

	Beginning Balance As Restated	Net Change	Ending Balance	Amount Due in one year
Compensated Absences	\$ 648,185	\$ 338,945	\$ 987,130	\$ 642,569

### Note 6 - Net Position and Fund Balance

The details of the fund balances as of June 30, 2025, are presented below:

	General Fund	ARPA Fund	Total
Fund Balance			
Restricted to			
Early Care & Education Recovery	\$ -	\$ 401,538	\$ 401,538
Committed to			
Budgetary Stabilization Reserve	6,000,000	-	6,000,000
RUHS-MC MFM Capacity Building	2,964,542	-	2,964,542
Inland Southern California United Way	4,382,369	-	4,382,369
ECE Facility Projects	267,900	-	267,900
Total committed	13,614,811	-	13,614,811
Assigned to			
FY 25/26 Budgeted Fund Balance Draw	2,888,382	-	2,888,382
Unassigned			
Unassigned Fund Balance	16,025,795	-	16,025,795
Total fund balance	\$ 32,528,988	\$ 401,538	\$ 32,930,526

## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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### *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, 2025, \$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, 2025, the Commission had \$4,000,000 of the targeted reserve amount of \$4,000,000 in unassigned fund balance, pursuant to the policy.

### **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. This includes licensed centers, family child-care homes (FCCH), legally exempt centers, family, friend, and neighbor (FFN) care, as well as alternative settings for children aged 0 to 5. First 5 California has awarded the Commission \$7,698,631 to support the IMPACT initiative over a two-year period starting in FY 23-24. As the fiscal lead for the region, this amount includes pass-through funds for First 5 San Bernardino, Orange County, and Imperial. Funds claimed for the year ending June 30, 2025 totaled \$3,968,874. The First 5 IMPACT program requires matching contributions from program partners at a ratio of two to one—meaning for every dollar of local funding, there are two dollars of First 5 California funding. Additionally, the Home Visitation program, funded through First 5 California, has received \$134,143, bringing the total funding for all initiatives to \$4,103,017. The Commission has also secured \$73,644 in IMPACT-related funding from the Riverside County Office of Education.

The Riverside County Department of Public Social Services has provided an additional \$2,500,000 to support five family resource centers across the county. On September 14, 2021, and January 24, 2023, the Riverside County Board of Supervisors approved the allocation of \$15,000,000 and \$8,000,000, respectively, in federal funding through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) as part of the American Rescue Plan Act of 2021 (ARPA). These funds are designated for the Commission for Early Care & Education Recovery, aimed at bolstering COVID-19 response efforts and fostering economic recovery in Riverside County. As of June 30, 2025, the Commission has incurred a total of \$19,869,806 in eligible expenditures under the ARPA program, distributed as follows: \$5,781,770 in FY 2022, \$7,255,855 in FY 2023, \$2,251,691 in FY 2024, and \$4,580,490 in FY 2025. During the year ending June 30, 2025, the Commission transferred \$3,000,000 of ARPA funds to the County of Riverside Executive Office to support the Lakeland Village Childcare Infrastructure Project. Under the ARPA program, funds must be obligated by December 31, 2024, and expended by December 31, 2026. As of June 30, 2025, \$695,636 and interest in ARPA funds have been obligated and remain unspent.



## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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### 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 expenditures and payables at June 30, 2025 for each related party:

Organization	Expenditure Amount
County Counsel	\$ 40,028
Department of Public Health	640,585
Jurupa Unified School District	907,307
Riverside County Office of Education	2,627,151
Total	\$ 4,215,071

The expenditure amounts are included in Professional and Specialized Services.

During the year ended June 30, 2025, the Commission transferred to the County of Riverside \$3,000,000 of ARPA funds to the County of Riverside Executive Office to support the Lakeland Village Childcare Infrastructure Project.

### Note 9 - Program Evaluation

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

For the year ended June 30, 2025, the Commission expended \$835,926 on program evaluation.

## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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### 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, 2025, are summarized as follows:

	Miscellaneous		
	Tier I Prior to <u>8/23/2012</u>	Tier II 8/23/2012 through <u>12/31/2012</u>	Tier III On or after <u>1/1/2013</u>
Hire Date	<u>8/23/2012</u>	<u>12/31/2012</u>	<u>1/1/2013</u>
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	\$ 117,020
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, 2025

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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 both Plans are 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 \$1,565,664 for the year ended June 30, 2025.

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

As of June 30, 2025, the Commission reported a net pension liability for its proportionate share of the County's miscellaneous plan net pension liability of \$7,460,461.

The Commission's net pension liability was measured as the proportionate share of the County's net pension liability based on its actual 2025 contributions in relation to all County contributions to the Plan.

The net pension liability of the Plan was measured as of June 30, 2024, 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, 2023, rolled forward to June 30, 2024, 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, 2023, and 2024 was 0.292782% and 0.307451%, respectively.

For the year ended June 30, 2025, the Commission recognized pension expense is \$1,820,766. At June 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	\$ 352,527	\$ (119,098)
Changes In Assumptions	344,328	-
Net Differences Between Projected and Actual Earnings On Plan investments	374,959	-
Changes In Proportion and Difference Between Commission's Contributions and Proportionate Share of Contributions	475,203	(205,701)
Contributions Subsequent To The Measurement Date	1,565,664	-
Total	\$ 3,112,681	\$ (324,799)

## First 5 Riverside County Children and Families Commission

Notes to Financial Statements

June 30, 2025

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The amount of \$1,565,664 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, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30		
2025	\$	298,376
2026		914,690
2027		102,720
2028		(93,568)
	\$	1,222,218

Actuarial Assumptions – The Commission’s proportion of the County’s total pension liabilities in the June 30, 2023, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date		June 30, 2023
Measurement Date		June 30, 2024
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, 2025

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 <sup>1,2</sup>
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

(1) An expected inflation of 2.30% used for this period

(2) Figures are based on the 2021 Asset Liability Management study

*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	\$ 12,405,199	\$ 7,460,461	\$ 3,410,925

*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, 2025

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### 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.

For the past three years, settlements or judgment amounts have not exceeded insurance provided for Commission.

### 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.

### Note 13 - Restatement

#### *Change in Accounting Principle*

As of July 1, 2024, the Commission adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences were increased by \$62,768 as of July 1, 2024. The effect of this change in accounting principles is described in the table below.

	July 1, 2024, As Previously Reported	Change in Accounting Principle	July 1, 2024, As Restated
Governmental Activities	\$ 31,653,398	\$ (62,768)	\$ 31,590,630
Total primary government	\$ 31,653,398	\$ (62,768)	\$ 31,590,630

Required Supplementary Information  
June 30, 2025

# First 5 Riverside County Children and Families Commission



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**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**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Commission's proportion of the net pension liability	0.307451%	0.292782%	0.285902%	0.322377%	0.303069%	0.214360%	0.243538%	0.240294%	0.181543%	0.157307%
Commission's proportionate share of the net pension liability	\$ 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	\$ 1,777,256
Covered payroll	\$ 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	\$ 1,339,400
Commission's proportionate share of the net pension liability as a percentage of covered payroll	205.59%	220.38%	184.82%	93.45%	244.96%	190.42%	205.41%	269.06%	187.79%	132.69%
Plan fiduciary net position as a percentage of the total pension liability	78.32%	76.24%	75.92%	89.13%	76.03%	72.08%	72.12%	71.03%	74.51%	80.89%
Measurement date	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	June 30, 2015

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Required Commission contributions	\$ 1,565,664	\$ 1,334,938	\$ 924,394	\$ 948,918	\$ 866,994	\$ 523,854	\$ 505,552	\$ 438,501	\$ 325,821	\$ 252,313
Contributions in relation to the actuarially determined contribution	<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>	<u>252,313</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	\$ 4,685,454	\$ 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
Contributions as a percentage of covered payroll	33.42%	36.79%	27.78%	25.41%	24.90%	19.85%	19.00%	16.99%	16.76%	15.86%

**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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Tobacco taxes	\$ 16,100,000	\$ 16,100,000	\$ 14,153,732	\$ (1,946,268)
IMPACT	4,000,126	4,158,327	4,103,018	(55,309)
Other programs	8,067,007	6,605,049	6,057,765	(547,284)
Investment income	600,000	600,000	1,811,367	1,211,367
Total revenues	<u>28,767,133</u>	<u>27,463,376</u>	<u>26,125,882</u>	<u>(1,337,494)</u>
<b>Expenditures</b>				
Current				
Salaries and benefits	8,148,696	8,148,696	8,025,988	122,708
Professional and specialized services	24,115,018	23,022,781	18,157,416	4,865,365
Services and supplies	2,653,419	2,653,419	2,014,823	638,596
Total expenditures	<u>34,917,133</u>	<u>33,824,896</u>	<u>28,198,227</u>	<u>5,626,669</u>
<b>Other Financing Sources (Uses)</b>				
Contributions from County	-	211,520	-	(211,520)
<b>Net Changes in Fund Balance</b>	<u>\$ (6,150,000)</u>	<u>\$ (6,150,000)</u>	<u>\$ (2,072,345)</u>	<u>\$ 4,077,655</u>
Fund Balance, Beginning of Year			<u>34,601,333</u>	
Fund Balance, Ending			<u>\$ 32,528,988</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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other programs	\$ 5,004,800	\$ 8,276,126	\$ 4,580,490	\$ (3,695,636)
Investment income	-	-	90,138	90,138
Total revenues	<u>5,004,800</u>	<u>8,276,126</u>	<u>4,670,628</u>	<u>(3,605,498)</u>
<b>Expenditures</b>				
Current				
Salaries and benefits	-	-	111,090	(111,090)
Professional and specialized services	5,004,800	8,276,126	4,469,400	3,806,726
Total expenditures	<u>5,004,800</u>	<u>8,276,126</u>	<u>4,580,490</u>	<u>3,695,636</u>
Net Changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	90,138	<u>\$ 90,138</u>
Fund Balance, Beginning of Year			<u>311,400</u>	
Fund Balance, Ending			<u>\$ 401,538</u>	

**Note to Required Supplementary Information**

**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.

Other Supplementary Information  
June 30, 2025

# First 5 Riverside County Children and Families Commission



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First 5 Riverside County Children and Families Commission  
Schedule of First 5 California Funding  
Year Ended June 30, 2025

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<u>Program</u>	<u>Source</u>	<u>Revenue</u>	<u>Expenses</u>
IMPACT	F5CA Program Funds	\$ 4,103,018	\$ 4,103,018

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Compliance Section  
June 30, 2025

# First 5 Riverside County Children and Families Commission



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**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and 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, 2025, 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 15, 2025. Our report included an emphasis of matter paragraph indicating the adoption of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Rancho Cucamonga, California  
October 15, 2025



## **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 *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2025.

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, 2025.

#### **Basis for Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### **Responsibilities of Management for Compliance**

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

**Auditor’s Responsibilities for the Audit of Compliance**

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

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

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

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

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

### **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 *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
October 15, 2025

First 5 Riverside County Children and Families Commission  
Schedule of Prior Year Findings and Responses  
Year Ended June 30, 2025

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<b><u>Finding No.</u></b>	<b><u>Program</u></b>	<b><u>Current Year Status</u></b>
2024-001	Unauthorized and Unsupported Rent Expenditure	Implemented