

AGENDA

MEETING OF THE BOARD OF COMMISSIONERS

Chair: Sheila Kuehl

Tuesday, September 22, 2020
3:00 PM

Meeting Location:

First 5 LA
750 N. Alameda Street
Los Angeles, CA 90012

(If you would like to speak to any item on the agenda, please complete a public comment form)

1. ACTION

Call to Order / Roll Call

2. INFORMATION

Review of Meeting Notes from Joint Meeting of the Budget & Finance and Executive Committees - June 17, 2020

3.

4.

5. INFORMATION

Standing Items (See 3.1 and 3.3. for meeting materials)

A. 3.1

INFORMATION

Annual Audit - Draft of the Comprehensive Annual Financial Report (CAFR), Including the Independent Auditor's Report for the Fiscal Year Ending June 30, 2020

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COMMISSIONERS

Los Angeles County Supervisor	Jane Boeckmann	Yvette Martinez
Sheila Kuehl	Bobby Cagle	Romalis J. Taylor
Chair	Barbara Ferrer, Ph.D., M.P.H., M.Ed.	Keesha Woods Marlene Zepeda, Ph.D.
Judy Abdo		
Vice Chair		

EX OFFICIO MEMBERS

Karla Pleitez Howell
Jonathan E. Sherin, M.D., Ph.D.
Wendy Smith, Ph.D., LCSW
Deanne Tilton

EXECUTIVE DIRECTOR

Kim Belshé

EXECUTIVE VICE PRESIDENT

John A. Wagner

A PUBLIC ENTITY

Presenters: Raoul Ortega, Finance Director; Faustino Genio, Accounting Manager;
Kinnaly Soukhaseum, Partner, Eide Bailly, LLP

B. 3.3

INFORMATION

Review of First 5 LA Annual Report to First 5 CA (State Commission)

6. INFORMATION

Public Comment (for items not on the agenda)

7. ACTION

Adjournment



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SUMMARY MEETING NOTES

**FIRST 5 LA
SUMMARY MEETING NOTES
Special Meeting of the Board of Commissioners
(Joint Meeting of the Budget & Finance and Executive Committees)
June 17, 2020
2:00 pm – 3:30 pm**

BUDGET & FINANCE COMMITTEE

MEMBERS PRESENT:

Linda Aragon (Alternate)
Astrid Heger
Yvette Martinez
Romalis Taylor

BUDGET & FINANCE COMMITTEE MEMBER

ABSENT:

Barbara Ferrer [Excused]

EXECUTIVE COMMITTEE MEMBERS

PRESENT:

Judy Abdo
Debbie Innes-Gomberg (Alternate)
Yvette Martinez

EXECUTIVE COMMITTEE MEMBERS

ABSENT:

Jonathan Sherin [Excused]
Marlene Zepeda [Excused]

STAFF PRESENT:

Kim Belshé, Executive Director
Carl Gayden, Senior Director of Administration
Faustino Genio, Accounting Manager
Daisy Lopez, Manager, Financial Planning & Analysis
Raoul Ortega, Finance Director
Linda Vo, Board Relations Manager
John Wagner, Executive Vice President

EXTERNAL PRESENTERS PRESENT:

Kinnaly Soukhaseum, Partner, Eide Bailly, LLP

LEGAL COUNSEL:

Craig Steele

1. Call to Order/Roll Call

The Special Meeting of the Board of Commissioners (Joint Meeting of the Budget & Finance and Executive Committees) was called to order by Committee Chair Martinez at 2:03 pm. Roll call completed.

2. Review of Meeting Notes from Combined Meeting of the Executive and Budget & Finance Committees– March 4, 2020

Meeting notes were received and filed with no deletions, additions or edits.

3. FY 2019-20 Audit Entrance Interview

Mr. Genio and Ms. Soukhaseum, Partner from Eide Bailly, LLP, briefly discussed the process for the annual audit that is conducted. To comply with State requirements, First 5 LA contracted Eide Bailly, LLP to perform a Comprehensive Annual Financial Report (CAFR).

Below is the timeline to complete this audit:

- Planning and Interim Fieldwork – June 2020
- Final Fieldwork – August 2020
- Report Delivery – September/October 2020

SUMMARY MEETING NOTES

As a reminder to the Board and public members, Ms. Soukhaseum stated that their audit would include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures –

- Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

She also stated that no opinion on internal control would be expressed.

In addition, they, as First 5 LA's auditors, have a responsibility to communicate the following:

- Qualitative aspects of accounting policies, accounting estimates and note disclosures
- Difficulties encountered
- Uncorrected misstatements
- Material corrected misstatements
- Disagreements with management
- Management representations
- Consultations with other accountants

Next steps would be the final CAFR would be presented to the Board in September as information and in October as action.

There is no further discussion on this item.

4. **Finance Update**

A. Review Draft Proposed FY 2020-21 Budget

B. Review Draft Long-Term Financial Plan

C. Reserve Policy – Update

Ms. Lopez covered the following items in her budget presentation:

- Review Changes to the Budget Development Process
- Budget Overview
- Programmatic Costs
- Operating Costs
- Administrative Cost Limit
- Long-Term Financial Plan Overview
- Long-Term Financial Plan Key Assumptions
- Next Steps

SUMMARY MEETING NOTES

FY 2020-21 Budget Summary

BUDGET CATEGORY	FY 2019-20 Budget				Proposed		Variance
	Original		Revised		FY 2020-21 Budget		
Program							
<i>2020-2028 Strategic Plan</i>							
a. SP Priority Outcome Areas	\$ 90,556,000		91,965,000		\$ 82,390,000		\$ (9,575,000) -10.4%
b. Policy & Strategy Support	9,892,000		9,777,000		8,518,000		\$ (1,259,000) -12.9%
c. Integration & Learning	6,212,000		5,307,000		4,398,000		(909,000) -17.1%
<i>Total 2020-2028 Strategic Plan</i>	\$ 106,660,000	80%	\$ 107,049,000	80%	\$ 95,306,000	77%	\$ (11,743,000) -11.0%
<i>Legacy Investments</i>	4,229,000	3%	4,219,000	3%	3,153,000	3%	(1,066,000) -25.3%
<i>Emerging Opportunities</i>	-	0%	-	0%	3,000,000	2%	3,000,000 100.0%
Total Program	\$ 110,889,000	83%	\$ 111,268,000	83%	\$ 101,459,000	82%	\$ (9,809,000) -8.8%
Operating (Administration Division)	22,828,358	17%	22,828,358	17%	22,797,493	18%	(30,865) -0.1%
TOTAL BUDGET	\$ 133,717,358	100%	\$ 134,096,358	100%	\$ 124,256,493	100%	\$ (9,839,865) -7.3%

Budget Highlights

- Net decrease of \$9,839,865 or 7.3%
- Decrease of \$9.6 million (10.4%) to support the Priority Outcome Areas
- Decrease of \$1.1 million (25.3%) in Legacy Resources
- Addition of \$3.0 million in centralized emerging opportunity funds (including COVID-19 related needs)
- Net decrease of \$9.8 million (8.8%) in total programs budget
- Net decrease of \$31,000 (0.1%) in Operating costs

Strategic Plan Outcome Areas

STRATEGIC PLAN OUTCOME AREA	Revised		Proposed	
	FY 2019-20 Budget		FY 2020-21 Budget	
Families	\$ 39,133,000	42%	\$ 37,631,000	46%
Communities	21,631,000	23%	20,200,000	25%
Early Care & Education (ECE) Systems	26,550,000	29%	18,791,000	23%
Health-Related Systems	5,121,000	6%	5,768,000	7%
Total Strategic Plan Outcome Areas	\$ 92,435,000	100%	\$ 82,390,000	100%

SUMMARY MEETING NOTES

Families and Communities Overview

FAMILIES OUTCOME AREA	Revised FY 2019-20 Budget		Proposed FY 2020-21 Budget	
Home Visiting	\$ 37,235,000	95%	\$ 37,079,000	99%
Family Engagement	1,898,000	5%	552,000	1%
Total Families Outcome Area	\$ 39,133,000	100%	\$ 37,631,000	100%

COMMUNITIES OUTCOME AREA	Revised FY 2019-20 Budget		Proposed FY 2020-21 Budget	
Best Start Networks	\$19,888,000	92%	\$ 17,570,000	87%
Public Infrastructure	1,330,000	6%	1,280,000	6%
Field Building	413,000	2%	1,350,000	7%
Total Communities Outcome Area	\$21,631,000	100%	\$ 20,200,000	100%

ECE and Health-Related Systems Overview

ECE OUTCOME AREA	Revised FY 2019-20 Budget		Proposed FY 2020-21 Budget	
County Systems Building	\$ 9,368,000	35%	\$ 10,596,000	56%
Quality Improvement Systems	17,055,000	64%	8,195,000	44%
ECE Emerging Opportunities	127,000	0%	-	0%
Total ECE Outcome Area	\$26,550,000	100%	\$ 18,791,000	100%

HEALTH-RELATED SYSTEMS OUTCOME AREA	Revised FY 2019-20 Budget		Proposed FY 2020-21 Budget	
Early Identification and Intervention	\$ 3,769,000	81%	\$ 4,079,000	71%
Trauma-Informed Approaches	697,000	15%	289,000	5%
AAIMM Birth Outcomes and Disparities – P&S Change*	-	0%	1,400,000	24%
Health - Emerging Opportunities	185,000	4%	-	0%
Total Health Outcome Area	\$ 4,651,000	100%	\$ 5,768,000	100%

**Formerly in Legacy Investments under the Black Infant Health initiative .*

Policy & Strategy Support

Policy & Strategy Support	Revised FY 2019-20 Budget		Proposed FY 2020-21 Budget	
Communications	\$ 6,081,000	62%	\$ 5,748,000	67%
Community Relations	283,000	3%	207,000	2%
Public Policy & Government Affairs	2,370,000	24%	1,515,000	18%
Strategic Partnerships	993,000	10%	1,048,000	12%
Emerging Opportunities	50,000	1%	-	0%
Total P&S Support	\$ 9,777,000	100%	\$ 8,518,000	100%

SUMMARY MEETING NOTES

Integration & Learning

Integration & Learning Division	Revised		Proposed	
	FY 2019-20 Budget		FY 2020-21 Budget	
Integration & Learning Division Support	\$ 578,000	0%	\$ 425,000	10%
Integration & Learning	103,000	2%	114,000	3%
Measurement, Learning & Evaluation	4,626,000	87%	3,784,000	86%
Staff Capacity Building	-	0%	75,000	2%
Total Integration & Learning Division	\$ 5,307,000	100%	\$ 4,398,000	100%

Legacy Investments

There are two (2) remaining investments – down from 5 in FY 2019-20

- Investments continuing in FY 2020-21 include:
 - Baby Friendly Hospitals – Cycle 4
 - Little by Little/One Step Ahead

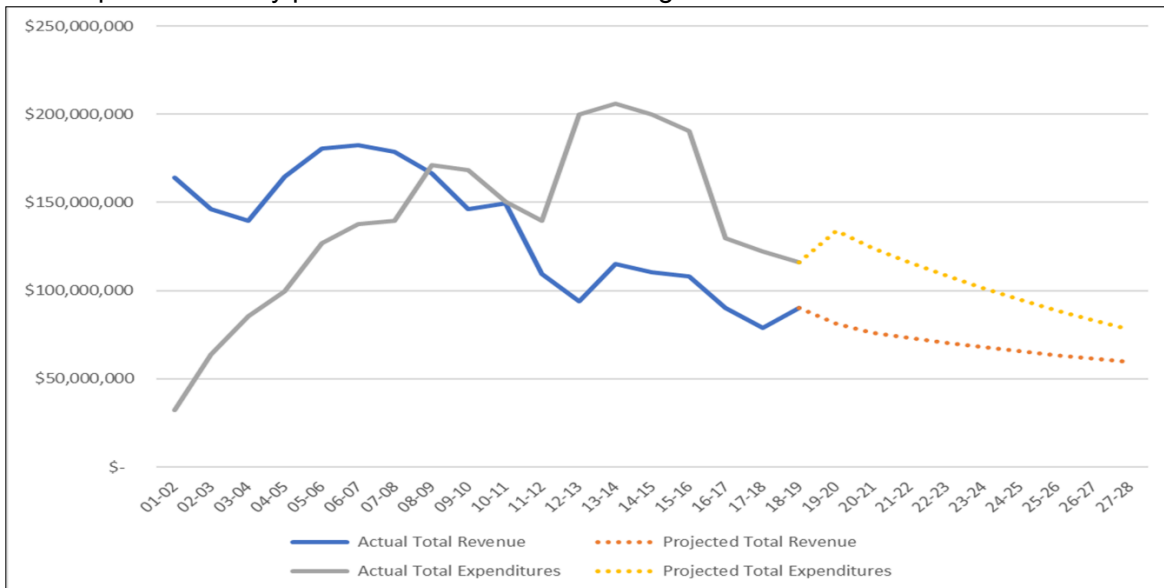
Total proposed FY 2020-21 budget: \$3.2 million

Operating Budget

OPERATING COST CATEGORY	FY 2019-20 Budget				Proposed		Variance	
	Original		Revised		FY 2020-21 Budget			
Personnel Services	\$ 17,867,331	78%	\$ 17,711,081	78%	\$ 17,804,695	78%	\$ 93,614	0.5%
Operating Expenses	1,801,387	8%	\$ 1,814,237	8%	2,004,260	9%	\$ 190,023	10.5%
Consultant Services	1,715,700	8%	\$ 1,825,562	8%	1,789,225	8%	\$ (36,337)	-2.0%
Professional Services	512,740	2%	\$ 506,440	2%	484,718	2%	\$ (21,722)	-4.3%
Travel Expenses	448,850	2%	\$ 449,921	2%	326,745	1%	\$ (123,176)	-27.4%
Professional Development	482,350	2%	\$ 521,117	2%	387,850	2%	\$ (133,267)	-25.6%
Total Operating Costs	\$ 22,828,358	100%	\$ 22,828,358	100%	\$ 22,797,493	100%	\$ (30,865)	-0.1%

Please note: Percentages reflected have been rounded to the nearest whole

Ms. Lopez also briefly presented on First 5 LA's Long-Term Financial Plan.



Some assumptions included:

SUMMARY MEETING NOTES

- 1) Revenue estimates are based on projections provided in June 2019 by F5CA and the California Department of Tax and Fee Administration (CDTFA), with a 2% internal downward adjustment
- 2) The annual rate of decline over the course of the 7 years, beginning with FY 2021-22 through FY 2027-28, is approximately 6.42%
 - This results in a glide path through FY 2027-28
 - Ending Fund Balance is approximately \$4.2M
- 3) Program costs will represent 85% of total costs on an annual basis
- 4) Operational costs will represent no more than 15% of total costs on an annual basis
- 5) Reserve (Operations) assumes 25% of the total budget of FY 2019-20 and 50% of the total budget effective as of FY 2020-21 pending policy change and does not reflect any expenditures.
- 6) Other Revenue

Ms. Lopez closed with informing the Committees that both these items would be brought back before the full Board in July with the Budget item as action.

There was no further discussion made on this item.

5. Public Comment (for items not on the agenda)

No public comments.

ADJOURNMENT:

Meeting adjourned @ 3:24 pm.

NEXT MEETING:

The next Special Meeting of the Budget & Finance Committee will take place on Tuesday, September 22, 2020 as a joint meeting with the Executive Committee at 3:00 pm and will be conducted as a VIRTUAL meeting. Details will be posted and made public in compliance with Brown Act requirements.

Summary minutes were recorded by Linda Vo, Board Relations Manager.

October 8, 2020

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

We have audited the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of Los Angeles County, California, as of and for the year ended June 30, 2020, and have issued our report thereon dated October 8, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our presentation on June 17, 2020 and in our engagement letter dated June 17, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding a significant control deficiency during our audit in our 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* dated October 8, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Management's estimate of the fair value of investments as disclosed in Note 1 to the financial statements is based on information provided by Los Angeles County. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Commission's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated October 8, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

This report is intended solely for the information and use of the Board of Commissioners, and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Rancho Cucamonga, California

Comprehensive Annual Financial Report
For the Year Ended June 30, 2020

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

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

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October 8, 2020

Board of Commissioners
 First 5 LA
 750 North Alameda Street, Suite 300
 Los Angeles, CA 90012

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) for the year ending June 30, 2020, is hereby submitted, as mandated by applicable statutes. These statutes require First 5 LA to annually issue a report of its financial position and activity.

A complete audit of the report by an independent firm of certified public accountants is also required. Responsibility for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Commission’s management team. The information in this report is intended to present the reader with a comprehensive view of the Commission’s financial position and the results of its operations for the fiscal year, along with additional disclosures and financial information designed to provide an understanding of First 5 LA’s financial activities.

Eide Bailly LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on First 5 LA’s financial statements for the year ending June 30, 2020. The independent auditors’ report is located at the beginning of the financial section of this report. Management also provides a narrative introduction, overview and analysis of the basic financial statements in the form of the Management’s Discussion and Analysis (MD&A).

PROFILE OF THE COMMISSION

First 5 LA was created by the Los Angeles County Board of Supervisors in December 1998 following the passage of Proposition 10, through which California voters made an unprecedented investment in early childhood development.

Over the last 20 years, First 5 LA has made a lasting positive impact in Los Angeles County through its allocation of over \$2.5 billion to support diverse partnerships, innovative programs, leading policy and systems change efforts and operations that improve the well-being of young children and families.

A POLICY AND SYSTEMS CHANGE APPROACH

In fiscal year 2019-20, First 5 LA completed its fifth year of implementation of the 2015-2020 Strategic Plan which marked the final year of a plan whose shift in approach from mainly funding programs toward a focus on policy and systems change challenged us to find new ways to effectively partner with others to advance aligned goals to strengthen families and improve child outcomes. This strategic approach is based on First 5 LA’s desire to direct its resources to have the greatest

COMMISSIONERS

Los Angeles County Supervisor Shella Kuehl <i>Chair</i> Judy Abdo <i>Vice Chair</i>	Barbara Ferrer, Ph.D., M.P.H., M.Ed. Astrid Heger, M.D. Yvette Martinez	Jonathan E. Sherin, M.D., Ph.D. Romallis J. Taylor Keesha Woods Marlene Zepeda, Ph.D.
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EX OFFICIO MEMBERS

Bobby Cagle Wendy Garen Karla Pleitez Howell Deanne Tilton

EXECUTIVE DIRECTOR

Kim Belshé

EXECUTIVE VICE PRESIDENT

John A. Wagner

impact on families and children prenatal to age five in Los Angeles County. Consistent with the Commission-approved strategic direction, First 5 LA will continue to place greater emphasis on efforts to contribute to sustainable public financing, public policy and systems-level change, and less emphasis on funding direct services.

To ensure all children in L.A. County enter kindergarten ready to succeed in school and life, the 2015-2020 Strategic Plan directed that the Commission's work focus on the following four priority outcome areas, as defined below:

Families: Increased family protective factors

- Work with parents and caregivers so that they have the skills, knowledge and access to resources they need to support their child's development.

Communities: Increased community capacity to support and promote the safety, healthy development, and well-being of children prenatal to age 5 and their families

- Support a community's ability to foster safe, healthy, engaged neighborhoods that help children and their families thrive.

Early Care and Education Systems: Increased access to high-quality early care and education

- Increase access to affordable, quality child care and preschool.

Health-Related Systems: Improved capacity of health, mental health, and substance abuse services systems to meet the needs of children prenatal to age 5 and their families

- Improve how health-related systems coordinate and deliver care to young children and their families in L.A. County.

The Commission continues to conduct all decision-making processes in accordance with the governance guidelines, approved in March 2014 with the intention of advancing important First 5 LA goals, including:

- Transparency and consistency in First 5 LA's decision-making;
- Coordination, coherence and integration of First 5 LA investments; and
- Accountability, acknowledging First 5 LA's declining revenues.

These guidelines continue to ensure that decisions made by the Commission are guided by the principles of financial responsibility, accountability, and adherence to the Commission's Strategic Plan. The refined 2020-2028 Strategic Plan will continue to build off work and learnings from the 2015-2020 strategic approach and direction.

ORGANIZATIONAL HIGHLIGHTS

- ***Living our values of diversity, equity and inclusion.*** First 5 LA's refined Strategic Plan provides a solid roadmap to guide our work as a systems change leader, grounded in our values and investment guidelines, including diversity, equity and inclusion (DEI). Consistent with Board direction, we're challenging ourselves in our Strategic Plan Implementation planning to recognize racial disparities and inequities in the systems we seek to change, dig into the root causes that contribute to inequities, and work to change the underlying policies, practices and public attitudes that we know hold these inequities in place.

Throughout the FY 20-21 approved budget, resources are included to support changes in policy, practice and public norms and attitudes that reflect important learning about where and how First 5 LA can contribute to addressing the systemic barriers that impede equity and opportunity for Black children and families and communities of color.

We also recognize that First 5 LA is a system itself and that we have organizational work to do to ensure we are living our DEI values in the workplace. We recognize what we refer to as our equity journey will take time; and, we recognize we will benefit from DEI consultant support to facilitate a thoughtful and deliberate process. Resources are included in the approved budget to support this internal DEI work.

- ***Mobilizing advocacy across our work, diverse partners, the Association of First 5s.*** First 5 LA plays an increasingly important and visible role as a connector, convener and partner in local, county and state advocacy to prioritize young children and their families in policy and practice. The approved budget includes resources for continued support of the Early Care and Education Policy and Advocacy Fund and the Built Environment Policy and Advocacy Fund as well as support to initiate a new Early Childhood Development Policy and Advocacy Fund, focused on engaging and building the capacity of early childhood health and family strengthening advocates to shape and help advance a whole child, whole family framework in state and local policies. In addition, the budget support for the Association of First 5s is for the development and execution of a coordinated, proactive statewide policy and legislative agenda informed by the network of First 5s.
- ***COVID-19 Response.*** First 5 LA is deeply committed to supporting the needs of staff, partners and children and communities in this moment of time and going forward. Our response to COVID-19 is anchored in three primary objectives: 1) Protecting and supporting the health of our staff; 2) Supporting our contracted partners (grantees, vendors, contractors); and 3) Supporting LA County's young children and their families, with a particular focus on those most vulnerable during this pandemic. In March 2020, First 5 LA transitioned to mandatory telework and the First 5 LA building is restricted to essential workers only until further notice.
- ***Supporting our human assets by improving our capital asset: our building.*** As the owner and operator of its building, into which First 5 LA moved in 2005, we are reaching the point in the life of our facility which will require certain capital expenditures to maintain this critical asset. Following the Board's direction in establishing a Capital Improvement Fund (CIF) as part of the FY 2017-18 Budget process as well as the Board-approved Capital Improvement Plan (CIP), we are moving this critical project forward in a way to provide needed upgrades to the building as well as to enhance the way in which we work. Though this past year saw delays due to the need to allow the first-floor tenant to vacate its leased spaced and due to the pandemic, we have continued to scope out options for the facility upgrade and have shared them with the Board's Executive Committee. Given the impact the pandemic has had not only on our organization but on facility management practices world-wide, we are in a position to refine our plans with updated learning on internal space configurations and systems upgrades that will maximize the health and safety of our employees and the public. In the short term, we will be focused on planning for the phased re-entry into the facility when conditions permit. This will be strategically aligned to our longer-term building remodel or CIP, which will begin later in 2021.

LOOKING AHEAD

- ***2015-2020 Strategic Plan.*** First 5 LA finished the fifth year of the 2015-2020 Strategic Plan mindful of the fiscal reality of declining resources, as well as the need to continue both refining the strategies and activities outlined in the 2020-2028 Strategic Plan and assessing the alignment of current work to the new outcomes. We will continue to achieve our goals for young children by working to advance Commission priorities with a renewed focus on sustainability and leveraging, and with consideration paid to the fiscal outlook presented in the most recent Long-Term Financial Plan.

As legacy investments come to the end of their contracts, First 5 LA's resources will be more fully dedicated to the outcomes and strategies detailed in the Strategic Plan. The FY 2020-21 budget continues to reflect costs for ongoing legacy initiatives that will soon be either ending or ramping down but represents a 25% decrease in anticipated spending from FY 2019-20, while simultaneously accounting for commitments made by the Commission. The Commission will continue to prioritize investments in the 2020-2028 Strategic Plan.

As we completed the final year of our current five-year strategic plan period, the implementation began at different starting points. In the year ahead, we will continue to strengthen First 5 LA's longer-term signature investments, such as Welcome Baby and Best Start, through our partnerships with providers and parents; we will solidify new systems change efforts that are gaining support and traction, such as kindergarten readiness assessment efforts, and we will transition from planning to implementation of new work, such as early identification and intervention (Help Me Grow) and the built environment.

- **Implementing our 2020-2028 Strategic Plan, Adapting to our context.** For First 5 LA, the approved budget for FY 20-21 was presented to the Board in the context of a global pandemic with far-reaching implications for our staff, contract partners and the children and families of LA County. As a systems change leader and funder, First 5 LA has been attentive to the evolving and unprecedented context in which our budget was developed. We recognize that addressing the COVID-19 pandemic and contributing to efforts to eradicate racial disparities and systemic inequities are not new, additive pieces to our work; rather, they represent the new context in which we are doing work, and our 2020-2028 Strategic Plan will guide our response. The resources included in the approved budget for FY 20-21 speak directly to the opportunities we see for First 5 LA to respond to this moment in time and contribute to an LA County that is just, inclusive and equitable.

To support First 5 LA's ability to be responsive and nimble in our current context, the approved FY 20-21 budget includes a centralized Emerging Opportunity Fund, to be funded at \$3 million. The fund is intended to facilitate our responsiveness to target additional support to existing contractors with unique capabilities and needs as well as additional support to new opportunities, including pooled or aligned funds.

- **First 5 LA staff as impact multipliers.** One of First 5 LA's most significant investments in systems change and improved results for children and families is our staff. As evidenced by our most recent work in the context of the COVID-19 pandemic, staff are actively coordinating, connecting and facilitating solutions to the challenges parents, providers, and partners are experiencing. These roles are reflective of our strategic approach to impact, one which places less emphasis on direct services and more emphasis on partnership, policy and systems. Our more collaborative, partnership-focused approach is more staff-intensive, relative to staff's more traditional contract solicitation and management roles. Recognizing the critical role of First 5 LA staff in our systems change work and the need to limit growth in First 5 LA's operating budget, the FY 20-21 budget retains the cap on the number of full-time equivalent positions at the number authorized in the current year budget (148). To manage resources and reflect vacancies and attrition, the budget assumes an 11.25 percent personnel adjustment rate.

OTHER FINANCIAL INFORMATION

Internal Controls

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. The internal control structure is designed to protect the Commission's assets from loss, theft or misuse and to ensure that adequate accounting data is compiled for the

preparation of the financial statements in conformity with Generally Accepted Accounting Principles. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Budgetary and Accounting System

The Commission is not required to adopt a budget for the following year before the end of each fiscal year. However, the Commission has historically adopted a budget to ensure controlled spending. Any increase to previously adopted appropriations during the fiscal year requires Commission approval. The Executive Director has the authority to make adjustments to the operating budget in an amount not to exceed \$25,000, and any adjustments to the adopted fiscal year budget for programs must be approved by the Commission. Monthly financial updates are also provided to the Board of Commissioners. The Commission has not adopted or revised any financial policies that may have a significant impact on the current period's financial statements.

Long Term Financial Plan

First 5 LA has annually prepared a long-term financial projection which forecasts future revenues and fund balance, assuming spending trends continue as forecasted and approved. The projection allowed us to test what the future would look like and it helped the Commission establish financial guardrails to inform future budgeting and spending. Given First 5 LA's declining revenues, fund balance and increased priority on addressing sustainability, First 5 LA staff, with input provided by the September 24, 2019 joint meeting of the Executive and Budget & Finance Committees, has transitioned to implement a higher degree of fiscal discipline through the adoption of a long-term financial plan in place of the long-term financial projection. While both processes provide important planning and context for the Board on future spending, the Long-Term Financial Plan will change how the organization plans for the long-term, adjusting to the organization's fiscal reality and 2020-2028 Strategic Plan goals and establishing spending limits for outer years which will help us to better manage our ever-decreasing fund balance. The future spending limits, grounded in an 85%-15% maximum split of total expenditures between programmatic and administrative costs, respectively, will require changing current norms but also promote shared resources and decision making across the organization to leverage and maximize resources and partnerships. Deviations from the established annual limits will require Board review and approval.

CERTIFICATE OF ACHIEVEMENT

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to First 5 LA for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the twelfth consecutive year that First 5 LA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, First 5 LA must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The Commission's Comprehensive Annual Financial Report was prepared through the combined efforts of all First 5 LA staff. Special recognition is due to the Finance Department staff for their effort to ensure timely and accurate reporting. I would also like to thank the Board of Commissioners for your responsible and thoughtful fiscal stewardship of First 5 LA's financial operations.

Sincerely,

Kim Belshé
Executive Director

KB:ro

FIRST 5 LA

Commissioners

Sheila James Kuehl, Los Angeles County Supervisor, Chair
Judy Abdo, Vice Chair
Barbara Ferrer, Ph.D., M.P.H., M.Ed.
Astrid Heger, M.D.
Yvette Martinez
Jonathan E. Sherin, M.D., Ph.D.
Romalis J. Taylor
Keesha Woods
Marlene Zepeda, Ph.D.

Ex-Officio Commissioners

Bobby D. Cagle, MSW
Wendy Garen
Karla Pleitéz Howell, J.D.
Deanne Tilton Durfee

Alternate Commissioners

Linda Aragon
Helen Berberian
Victor Manalo, Ph.D.
Terry Ogawa
Carol Sigala
Sylvia S. Swilley, M.D.
Christopher Thompson, M.D.
Arturo Valdez

Executive Director

Kim Belshé

Executive Vice President

John A. Wagner

Vice President

Christina Altmayer, Programs Division

Interim Chief of Staff

Peter Barth

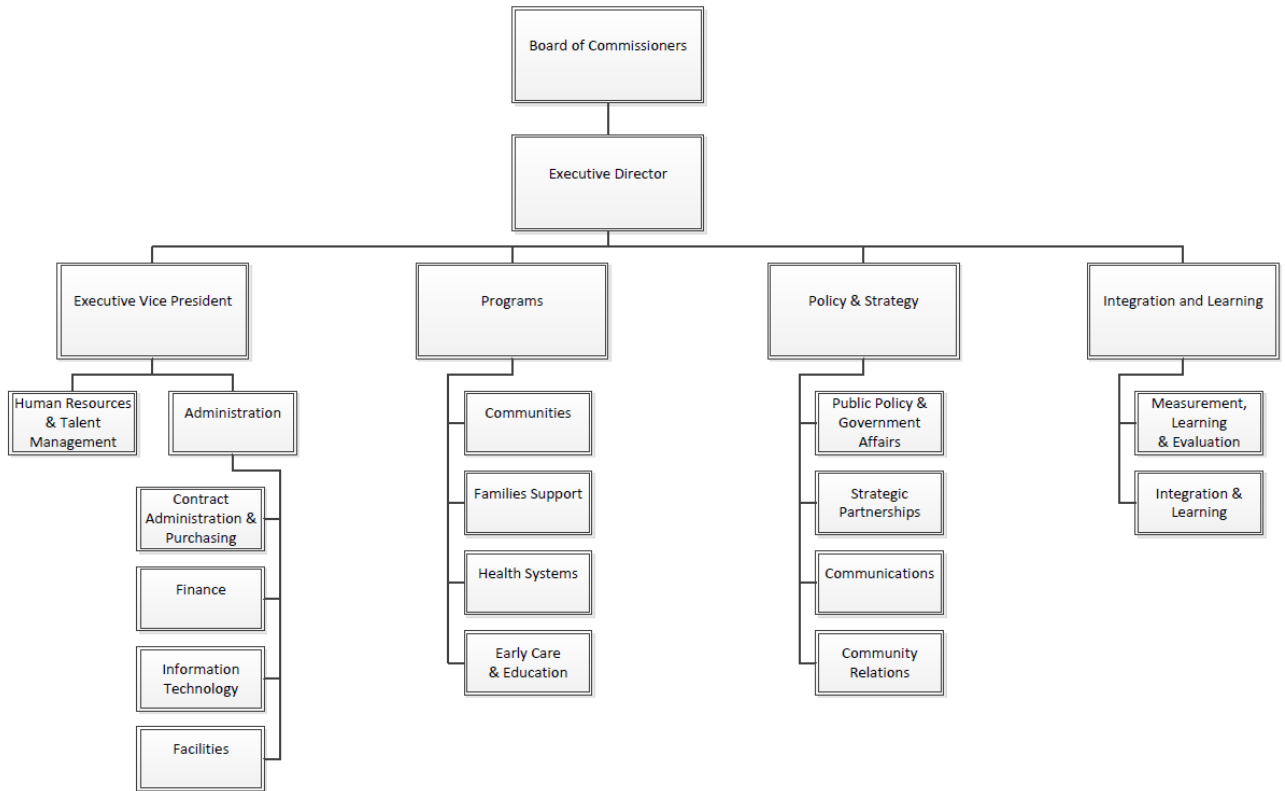
Senior Director of Administration

Carl Gayden

Department Directors

Antoinette Andrews-Bush, Communities
Jasmine Frost, Information Technology
Gala Collins, Human Resources & Talent Management
Jennifer L. Eckhart, Contract Administration & Purchasing
Tara Ficek, Health Systems
Manuel Fierro, Integration & Learning
Rafael González, Community Relations
Kim Hall, Interim Director, Measurement, Learning & Evaluation
Raoul Ortega, Finance
Jennifer L. Pippard, Strategic Partnerships
Gabriel Sanchez, Communications
Chama Widby, Interim Director, Public Policy & Government Affairs

First 5 LA





Government Finance Officers Association

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Presented to

**First 5 LA
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

Independent Auditor’s Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other 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 introductory section, schedule of First 5 California funding, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of First 5 California Funding 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of First 5 California Funding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, 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 8, 2020

**Los Angeles County Children and Families First – Proposition 10 Commission
Management’s Discussion and Analysis
(Unaudited)**

This section of the Los Angeles County Children and Families First – Proposition 10 Commission (the “Commission”) comprehensive annual financial report presents management’s discussion and analysis of the Commission’s financial performance during the year ending June 30, 2020. This discussion and analysis is intended to be read in conjunction with the Commission’s basic financial statements and accompanying notes.

Financial Highlights

- The Commission recognized a total of \$79.0 million in revenues from First 5 California (the State), reflecting a 12.3% decrease of \$11.0 million from \$90.0 million in FY 2018-19. Total program revenues for FY 2019-20 in the amount of \$80.1 million include tobacco taxes, IMPACT Hubs funds, Department of Education for Child Care and Development fund and pass-through funds for Medi-Cal Administrative Activities.
- Commission expenses totaled \$114.4 million in FY 2019-20, representing a 3.9% decrease of \$4.6 million from \$119 million in FY 2018-19.
- The Commission’s liabilities increased from \$20.6 million in FY 2018-19 to \$22.6 million in FY 2019-20, reflecting a total increase of approximately \$2 million, or 9.8%.
- The Commission’s total net position decreased from \$375.2 million in FY 2018-19 to \$349.3 million in FY 2019-20, a decline of approximately \$25.9 million, or 6.9%.

Overview of the Financial Statements

The comprehensive annual financial report consists of two parts, this management’s discussion and analysis and the basic financial statements, including: government-wide financial statements, fund financial statements, and notes to the basic financial statements. The Commission’s financial statements offer key, high-level financial information about its activities.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commission’s finances, in a manner similar to a private-sector business. These statements provide both long-term and short-term information about the Commission’s overall financial status.

The Statement of Net Position includes information on all of the Commission’s assets and liabilities, with the difference between assets and liabilities reported as net position. Changes in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All the Commission's activities are accounted for in the general fund.

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the year.

While a nine-member Board of Commissioners governs the Commission, the Commission was created by, and ultimately is, under the authority of the Los Angeles County Board of Supervisors, in accordance with California State Law, through its appointment of the Board of Commissioners and its ability to remove the Commissioners at will. Consequently, the County of Los Angeles Auditor-Controller's Office has designated the Commission as a "discretely presented component unit" of the County of Los Angeles and includes a summary of the Commission's basic financial statements in the County's basic financial statements.

Government-wide Financial Statements Analysis

The following is a summary of the Commission's assets; liabilities and net position comparing FY 2019-20 with FY 2018-19:

	FY 2019-20	FY 2018-19	Percent Increase (Decrease)	Increase (Decrease)
Assets:				
Current and other assets	\$361,258,011	\$384,943,434	-6.15%	(\$23,685,423)
Capital assets	10,628,033	10,841,379	-1.97%	(213,346)
Total assets	\$371,886,044	\$395,784,813	-6.04%	(\$23,898,769)
Liabilities:				
Long-term liabilities	\$668,916	\$691,066	-3.21%	(\$22,150)
Other liabilities	21,958,179	19,914,054	10.26%	2,044,125
Total liabilities	\$22,627,095	\$20,605,120	9.81%	\$2,021,975
Net Position:				
Unrestricted	\$338,630,916	\$364,338,314	-7.06%	(\$25,707,398)
Net investment in capital assets	10,628,033	10,841,379	-1.97%	(213,346)
Total net position	\$349,258,949	\$375,179,693	-6.91%	(\$25,920,744)
Total liabilities and net position	\$371,886,044	\$395,784,813	-6.04%	(\$23,898,769)

The Commission’s total assets of \$371.9 million represent a decrease of \$23.9 million, or 6.4% decline, compared with the prior year. Of this total, the decrease in current and other assets is approximately \$23.7 million. The key factor contributing to this reduction in total assets is that total expenses, including program expenses (such as provider grants and contractors), were higher than the total revenue by \$25.9 million.

The \$213,346 decrease in capital assets resulted from continued depreciation of the Commission’s capital assets. The depreciation expense for FY 2019-20 was \$300,441. Additional information on capital assets can be found in Note 3 of this report.

The following is a summary of the Commission’s revenues; expenses and change in net position comparing FY 2019-20 with FY 2018-19:

	FY 2019-20	FY 2018-19	Percent Increase (Decrease)	Increase (Decrease)
Revenues:				
Program revenues				
Tobacco taxes	\$60,022,841	\$68,580,443	-12.48%	(\$8,557,602)
Prop 56	18,068,329	7,482,310	141.48%	10,586,019
State Commission program funds	922,472	13,986,085	-93.40%	(13,063,613)
Medi-Cal Administrative Activities	133,955	350,924	-61.83%	(216,969)
California Department of Education	328,658	376,551	-12.72%	(47,893)
Other program revenue	584,118	123,793	371.85%	460,325
Total program revenues	\$80,060,373	\$90,900,106	-11.92%	(\$10,839,733)
General revenues				
Investment income	\$6,938,051	\$8,183,532	-15.22%	(\$1,245,481)
Net increase in fair value of investments	1,354,275	4,898,141	-72.35%	(3,543,866)
Other general income	110,899	133,321	-16.82%	(22,422)
Total general revenues	8,403,225	13,214,994	-36.41%	(4,811,769)
Total revenues	\$88,463,598	\$104,115,100	-15.03%	(\$15,651,502)
Expenses:				
Provider grants and other allocations	\$93,379,930	\$97,979,838	-4.69%	(\$4,599,908)
Pass-through grants	65,042	273,294	-76.20%	(208,252)
Salaries and benefits	17,393,319	17,532,230	-0.79%	(138,911)
Operating services	1,212,116	1,122,911	7.94%	89,205
Consultant services	1,308,527	881,090	48.51%	427,437
Professional services	323,816	382,450	-15.33%	(58,634)
Professional development	176,217	186,902	-5.72%	(10,685)
Other expenses	224,934	339,524	-33.75%	(114,590)
Depreciation	300,441	302,300	-0.61%	(1,859)
Total expenses	\$114,384,342	\$119,000,539	-3.88%	(\$4,616,197)
Change in net position:	(25,920,744)	(14,885,439)	74.13%	(11,035,305)
Net position – beginning	375,179,693	390,065,132	-3.82%	(14,885,439)
Net position – ending	\$349,258,949	\$375,179,693	-6.91%	(\$25,920,744)

The Commission received a total of roughly \$88.5 million in revenues for FY 2019-20, reflecting a decrease of \$15.7 million, or 15.0% compared with the prior year's total revenues of \$104.1 million. The overall changes in revenue are due to the following.

Tobacco Tax

Tobacco tax revenue decreased from \$68.6 million in FY 2018-19 to \$60.0 million in FY 2019-20, a decrease of \$8.6 million, or 12.48%. The decrease in revenue was due to declining sales of tobacco products and the decline in births in Los Angeles County.

Proposition 56

Proposition 56 backfill (or "hold harmless") amounts are calculated in arrears, which considered in FY 2016-17 actual revenue loss was attributable to Proposition 56. The backfill amount of \$18.1 million received in FY 2019-20 increased revenue by \$10.6 million compared to prior fiscal year. The backfill is received the following fiscal year and the actual amount represented here is for prior FY 2018-19.

State Commission Program Funds

Other State Commission program funds decreased from \$14.0 million in FY 2018-19 to \$0.9 million in FY 2019-20, a decrease of \$13.1 million. This decrease was primarily due to lower IMPACT and Hubs funds received from First 5 CA.

Medi-Cal Administrative Activities

The Medi-Cal Administrative Activities (MAA) program decreased from \$350,924 in FY 2018-19 to \$133,955 in FY 2019-20. The program, contracted through the County of Los Angeles, assists in the administration of the Medi-Cal program by improving the availability and accessibility of Medi-Cal services to eligible participants. This decrease is a result of delays in County reimbursements from prior periods. It is important to note that MAA reimbursements are based on activities that are reimbursed from 18 months prior to billing.

California Department of Education

The California Department of Education fund decreased from \$376,551 in FY 2018-19 to \$328,658 in FY 2019-20, a decrease of \$47,893, or 12.7%.

Other Program Revenue

Other Program revenue increased from \$123,793 in FY 2018-19 to \$584,118 in FY 2019-20, an increase of \$460,325, or 371.9%. This increase is due to grants from Los Angeles County Children's Health Outreach Initiatives (CHOI) MAA program and grants from the Los Angeles County Office of Education.

Investment Income

The Commission earned \$6.9 million of investment income in FY 2019-20, which was a decrease of \$1.25 million, or approximately 15.2%, compared with the \$8.2 million earned in the prior year. This decrease is due to the overall rate of return which decreased from the prior year with an average earning of 1.72% and a lower average balance in our invested funds.

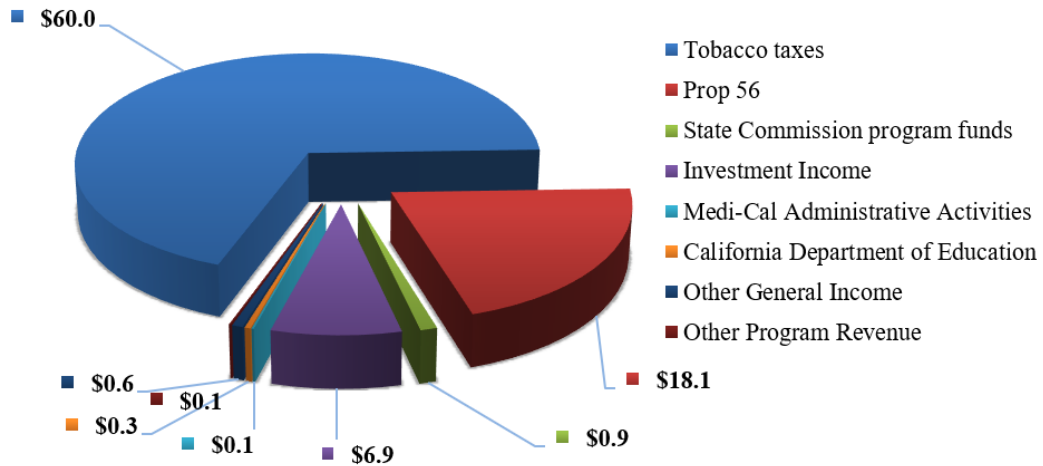
Fair Value Adjustment

First 5 LA separates the fair value adjustment under investment income from the Statement of Activities to more accurately reflect true interest earned. In FY 2019-20, the fair value of First 5 LA investment portfolio adjustment was down \$3.5 million, compared to \$4.9 million gain in FY 2018-19. This decrease can be attributed to external economic factors related to interest rates and overall economic health at this point-in-time.

Other General Income

The Commission generated other revenue primarily through a lease agreement it had with La Petite Academy, which was terminated on June 30, 2020. This revenue was \$110,899 in FY 2019-20.

**Revenues
June 30, 2020
(In Millions)**



Expenses

The Commission recognized expenses of \$114.4 million in FY 2019-20 compared with \$119 million in FY 2018-19, a decrease of \$4.6 million, or 3.9%. The \$4.6 million net decrease in overall expenditures encompasses the following from FY 2019-20.

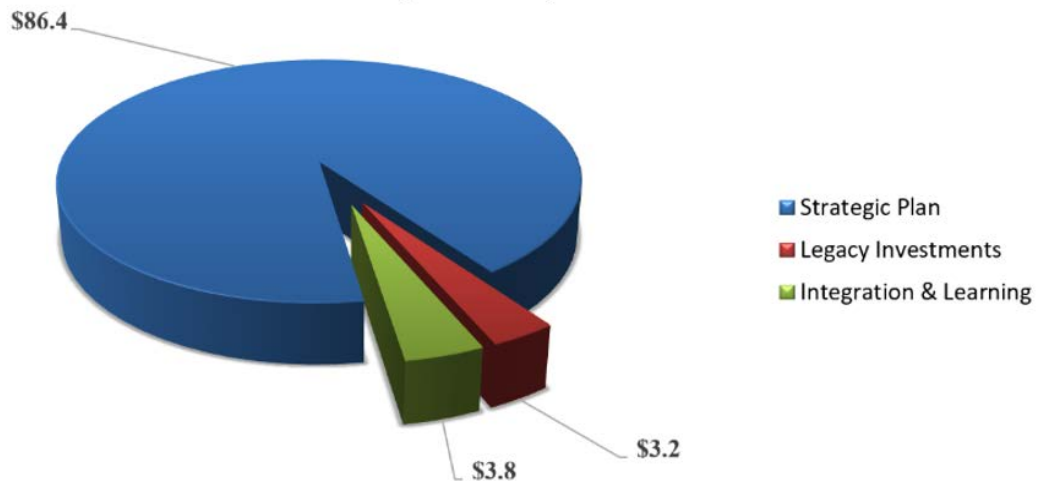
Provider Grants and Other Allocations

The Commission experienced a decrease of \$4.6 million, or 4.7%, expending approximately \$93.4 million in FY 2019-20 compared to \$98 million in FY 2018-19 for “Provider grants and other allocations”. The net decrease is a result of a number of Legacy initiatives ramping down or ending, as well as a delay in program costs during FY 2019-20, with a number of activities commencing later in the fiscal year and continuing into FY 2020-21. In addition, activities in some programs slowed down due to the COVID-19 pandemic and its related impacts. The following details activity based on the Commission’s investment categories, reorganized per the new Strategic Plan, during the fiscal year:

- 2015-2020 Strategic Plan: Focusing for the Future: FY 2019-20 marks the fifth and final year to align with the five-year 2015-2020 Strategic Plan, represented in two primary areas of implementation activity - Strategic Plan Priority Outcome Areas and Strategic Plan Investment Areas & Support Costs. Roughly \$86.4 million was expended in FY 2019-20, an increase of approximately \$1.2 million as compared to FY 2018-19. The primary driver for the increase was costs within Communities that allowed the Regional Networks to utilize the remaining Community Identified Project (CIP) fund allocations which were approved by the Board in FY 2015-16 for use through FY 2019-20. This was primarily offset by decreases within Families and Communications & Marketing largely due to the COVID-19 pandemic and pandemic-related impacts.

- Legacy Investments: This category includes existing multi-year funding scheduled to conclude or be realigned with the 2020-2028 Strategic Plan. Approximately \$3.2 million was expended in FY 2019-20 which reflected just over a \$6.0 million reduction in programs that expired or were reclassified in alignment to the Strategic Plan. There were decreases in cost for the ongoing Legacy Investments as they continue to ramp down. Additionally, service provision and corresponding cost was adversely impacted by the pandemic. The overall continued decline of resources in support of the Legacy Investments is aligned with internal projections and will continue to decrease in the coming years.
- Integration & Learning: This includes current investments that align and contribute to the Strategic Plan, as well as ongoing projects aligned to our Legacy Investments and the organization’s ongoing commitment to learning. The increase of approximately \$356,000 in FY 2019-20 is due to support of additional costs related to Data Development and Integration and Learning Plan Development including costs related to supporting the work of the Office of Child Protection (OCP) to implement several key work groups that are part of the LA County Prevention Plan as well as the ongoing collaboration to collect Women, Infants, and Children (WIC) data and refine and administer the LA County WIC Survey.

**First 5 LA Funded Provider Grants and Other Allocations Expenses
June 30, 2020
(In Millions)**



Pass-through Grants

For FY 2019-20, \$133,955 was recorded as “pass through grants” which is related to Medi-Cal Administrative Activities program during the fiscal year. These expenses represent reimbursement for FY 2017-18 and 1st quarter of FY 2018-19.

Salaries and Benefits

Salaries and Benefits decreased from FY 2018-19 by \$138,911 or 0.79%. This is due primarily to vacancy savings over the course of FY 2019-20.

Operating Services

Operating Services increased by \$89,205 or 7.94% from prior year because of increases in general operating costs for the organization related to facilities management, such as security, maintenance and utilities.

Consultant Services

The Commission recorded \$1,308,527 in expenses for the Consultant services in FY 2019-20, a 48.51% increase from FY 2018-19. The increase is primarily due to significant need for consulting services

related to Procurement Reform Project being led by the Contract Administration and Purchasing Department and the Strategic Plan Refinement process needs related to implementation planning and organizational effectiveness. In addition, consultant services were needed in the Information Technology Department due to vacant positions critical in the department.

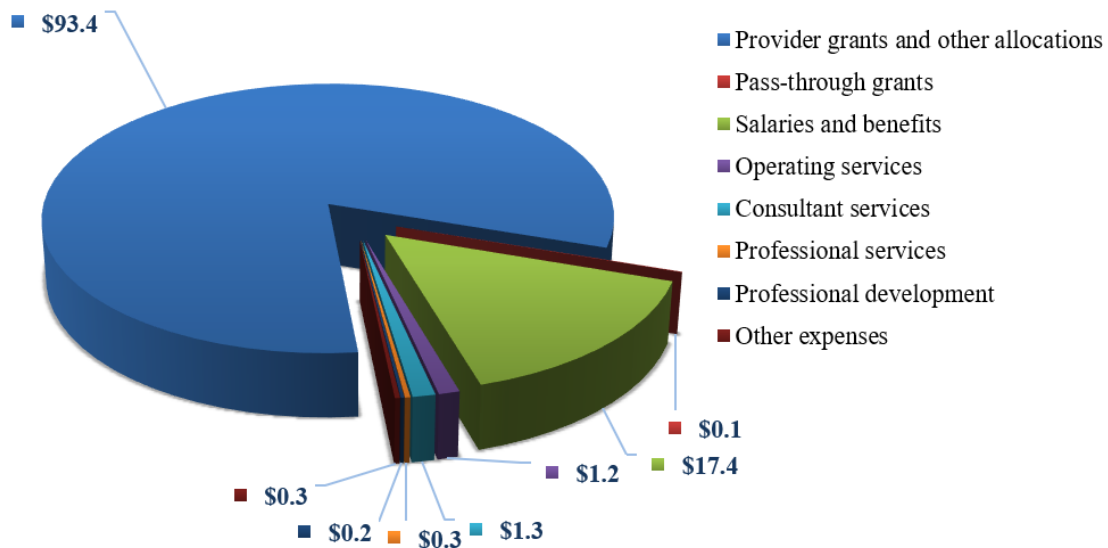
Professional Services

Professional services decreased from FY 2018-19 by \$58,634 or 15.33%. A decrease largely due to lower legal fees as well as audit fees originally anticipated for the fiscal year.

Professional Development

Professional development decreased in FY 2019-20 by \$10,685 or 5.72% from FY 2018-19. The decrease is primarily due to travel restrictions for the last quarter of the fiscal year caused by the COVID-19 pandemic.

**Program and Operating Expenses
June 30, 2020
(In Millions)**



Analysis of the Governmental Fund

The activities are contained in the general fund of the Commission. The focus of the Commission’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission’s financing requirements. In particular, fund balance may serve as a useful measure of the Commission’s net resources, both committed and available for future operation needs.

As of the end of FY 2019-20, the Commission’s general fund reported a total ending fund balance of \$338.7 million, a decrease of \$13.4 million, or 3.8% in comparison with the prior fiscal year balance of \$352.1 million.

Total fund balance decreased due to an ongoing decline between annual incoming revenue and the expenditures that are required to advance the activities and strategies outlined in the 2015-2020 Strategic Plan, including the ongoing responsibility to multi-year commitments for specific initiatives.

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

Final Revenue Budget vs. Actual Revenue

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

Tobacco Taxes and Prop 56

Tobacco tax revenue recorded for FY 2019-20 was \$71.5 million of tobacco tax revenue and \$18.1 million of Prop. 56 backfill. The \$71.5 million was \$264,538 or .37% lower than the anticipated amount of \$71.7 million. The original estimate of \$71.7 million was based on data from the California Department of Tax and Fee Administration updated May 2019.

California Department of Education

Actual California Department of Education revenue in the amount of \$328,658 was recorded to support activities related to the Quality Ratings and Improvement System (QRIS).

Investment Income

Investment income of \$6.9 million was earned in FY 2019-20. The monthly average return of 1.72% is higher than the 1.20% anticipated and included in the Long-Term Financial Projection approved by the Commission in February of 2019.

Original Expenditure Budget vs. Final Expenditure Budget

In March 2020, the Commission approved an overall addition of \$599,000 or 0.4% to the original approved \$133.7 million FY 2019-20 Budget. The following provides a brief summary of the primary factors that contributed to the increase in the final budgeted expenditures compared with the original budgeted expenditures.

Provider Grants and Other Allocations

The overall Program Budget (Provider Grants and Other Allocations) was adjusted upward during the year by \$599,000 or 0.5%. In April 2020 the Commission approved a mid-year budget revision adjusting the Communities budget upward by roughly \$2.2 million and Early Care & Education (ECE) Systems upward by roughly \$504,000. The upward adjustment to ECE is primarily the result of new pass-through funding from the Los Angeles County Office of Education (LACOE). The downward adjustments include Families by \$210,000, Healthy-Related Systems by approximately \$1.1 million, Strategic Plan Policy & Strategy Support costs by \$115,000, Integration & Learning by \$905,000 and Legacy Investments by \$10,000. The biggest driver in the adjustment to the overall budget was the nearly \$2.2 million-dollar upward adjustment to allow the Communities Regional Networks to access the remaining Community Identified Project (CIP) fund balances in the final year of CIP funding. The most notable downward adjustment was in Health Strategy 1: Help Me Grow for approximately \$1.1 million. This budget was adjusted downward to reflect the final negotiated contract amount with the Los Angeles County Department of Public Health (LACDPH), as well as delays in starting the LA Care pilot due to contract negotiations and longer than anticipated program design and procurement for Help Me Grow (HMG) LA Pathways. Adjustments to Families, Health, Policy & Strategy and Integration & Learning are primarily due to shifts in the timeline of activities, lengthy contract negotiations, and an alignment to actual anticipated costs or final contracted amount.

General Operating Expenditures

Adjustments to the Operating Budget represented movements of funds between cost categories at the departmental level based on updated assessments of need, which aggregated into the agency-wide adjustments. The net result of the various adjustments was cost neutral, with no net change to the Operating Budget.

Operating Services

Funds were adjusted upward at mid-year, resulting in a net increase of \$14,050 to reflect revised projections based on expenditures through December 2019. This increase is primarily due to additional funds needed for corporate insurance.

Consultant Services

Funds were adjusted upward at mid-year by \$108,662. This increase is due to additional funds needed for Consultant Fees related to the Procurement Reform Project being led by the Contracts Administration and Purchasing Department, and the Strategic Plan Refinement process needs related to implementation planning and organizational effectiveness.

Professional Services

Funds were adjusted downward at mid-year by \$6,300. The adjustment reflects the decrease in Staff Recruitment budget and an increase in bank charges budget.

Final Expenditure Budget vs. Actual Expenditure Amounts

The following provides a summary of the primary factors causing the significant variances in the actual expenditures compared with the final budgeted expenditures.

Provider Grants and Other Allocations

The total Provider Grants and Other Allocations variance for FY 2019-20 was approximately \$18.1 million. The primary overarching factor contributing to the FY 2019-20 budget to actual variance was the COVID-19 pandemic and the subsequent challenges related to the provision of services amidst a shut-down and redefining new work structures. In addition to:

- Additional requested Community Identified Project (CIP) fund resources within Communities were not fully utilized as anticipated before the end of the fiscal year.
- Many activity timelines were assessed and extended into the following fiscal year.
- Ending or ramping down of Legacy Investments.

Pass-through Grants

The total expenditures related to pass-through grants were \$65,042 for FY 2019-20. This amount is a result of Medi-Cal Administrative Activities program. The Commission's annual fiscal year budget is developed to include planned expenditures of Commission funds only; programs that are funded via pass-through grants in which the Commission acts as an intermediary are not included in the annual budget to accurately represent expenditures of Commission funded provider grants and other allocations.

Salaries and Benefits

Salary and benefit costs were lower than budgeted, with a variance of \$429,394. This is due to a combination of regular employee turnover during this fiscal year and vacant positions that were budgeted but not immediately filled.

Utilities

FY 2019-20 expenditures exceeded the budget by \$14,316. This overage is due to an annual reconciliation completed with our building management account.

Mileage & Parking

FY 2019-20 expenditures were lower than budgeted by \$23,830. This decrease was driven by the stay-at-home work order initiated in March 2020 and the subsequent decrease in local travel and parking expenses.

Cell Phones and Mobile Devices

FY 2019-20 expenditures exceeded the budget by \$13,024. This overage is due to mandated telework caused by the global pandemic starting in March 2020 and staff received partial reimbursement of cell phone and internet charges.

Outside Printing

Outside printing costs were lower than budgeted, with a variance of \$12,732. This is due to fewer needs due to stay-at-home work orders than what was originally anticipated for FY 2019-20.

Postage and Delivery

Postage and delivery costs were lower than budgeted, with a variance of \$10,136. This is due to less mailings and outgoing deliveries in the final quarter of FY 2019-20.

Office Supplies

Office Supplies were lower than budgeted, with a variance of \$29,930. This is due to fewer needs related to stay-at-home work orders than what was originally anticipated for FY 2019-20.

Equipment Rental

Equipment rentals and leases were lower than budgeted, with a variance of \$15,254 or 27.7%. This is due to stay-at-home work orders and fewer needs than what was originally anticipated for FY 2019-20.

Offsite Storage

Office Storage was lower than budgeted, with a variance of \$11,404. This is due to the centralization of work-related supplies and less space needed for storage.

Hardware & Software Maintenance

Hardware & Software Maintenance was lower than budgeted with a variance of \$180,975. This is primarily due to several applications that were not utilized in FY 19-20 and did not require licenses to be obtained.

Internal Meetings

Internal Meeting was lower than budgeted, with a variance of \$34,380. This is due to fewer needs related to staff working remotely in the last quarter of the fiscal year than what was originally anticipated for FY 2019-20.

Legal Fees

Costs for legal fees were lower than budgeted, with a variance of \$85,833, or 50.8%. This is due to lesser requests for public records and the overall decrease in legal services needed for this fiscal year.

Consultant Fees

Consultant Fees were significantly lower than budgeted, with a variance of \$508,040. This is primarily due to timeline shifts due to COVID-19 which impacted work in the second half of the fiscal year. Some of these costs are anticipated to be incurred in FY 2020-21, depending on the flexibility during a pandemic.

The final budget for Operations remained the same at \$22.8 million for FY 2019-20, while the Program Budget was increased by \$599,000 due to additional program funds needed to support the Communities Regional Networks in accessing and utilizing the remaining CIP funds in the final year of this funding. Other adjustments were related to the alignment of budget to actual spending trends for the first half of FY 2019-20, alignment to final negotiated contract amounts and a reassessment of the timeline activities which extended some activities, and costs, into the next fiscal year.

Other Potentially Significant Matters

The State projections assume a roughly 3% rate of revenue decline on an annual basis starting in FY 2020-21 through FY 2027-28. The projected annual revenue decrease is estimated to be 1.37% through FY 2020-21 based on the Department of Finance projections updated May 20, 2019.

With the passage and implementation of SBx2 and Prop 56, the one-time payment based on the backfill clause that was built into the Prop 56 language which is essentially a “hold harmless” to keep Proposition 10 revenue whole for participating counties moving forward is expected to be released sometime in November 2020. Based on the FY 2018-19 backfill of roughly \$18.07 million, staff is currently forecasting from 3% up to 6% lower for FY 2019-20.

Contacting the Commission’s Financial Management

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

Los Angeles County Children and Families First – Proposition 10 Commission

Statement of Net Position and Governmental Fund Balance Sheet

June 30, 2020

	General Fund	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash and investments	\$ 347,591,811	\$ -	\$ 347,591,811
State receivable	10,981,298	-	10,981,298
Investment income receivable	491,786	-	491,786
Advances to grantees	2,193,116	-	2,193,116
Capital assets			
Not depreciated	-	2,039,000	2,039,000
Depreciable capital assets (net)	-	8,589,033	8,589,033
Total assets	<u>\$ 361,258,011</u>	<u>\$ 10,628,033</u>	<u>\$ 371,886,044</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 21,807,917	\$ -	\$ 21,807,917
Other liabilities	-	16,480	16,480
Compensated absences			
Due within one year	-	133,782	133,782
Due in more than one year	-	668,916	668,916
Total liabilities	<u>21,807,917</u>	<u>819,178</u>	<u>22,627,095</u>
Deferred Inflows of Resources			
Unavailable revenue - state commission program funds	482,800	(482,800)	-
Unavailable revenue - other	283,488	(283,488)	-
Total deferred inflows of resources	<u>766,288</u>	<u>(766,288)</u>	<u>-</u>
Fund balance/net position			
Fund balance			
Nonspendable	2,193,116	(2,193,116)	-
Committed	138,338,530	(138,338,530)	-
Assigned	113,226,421	(113,226,421)	-
Unassigned	84,925,739	(84,925,739)	-
Total fund balance	<u>338,683,806</u>	<u>(338,683,806)</u>	<u>-</u>
Net position			
Net investment in capital assets	-	10,628,033	10,628,033
Unrestricted	-	338,630,916	338,630,916
Total net position	<u>-</u>	<u>349,258,949</u>	<u>349,258,949</u>
Total liabilities, deferred inflows of resources and fund balance/net position	<u>\$ 361,258,011</u>	<u>\$ 10,628,033</u>	<u>\$ 371,886,044</u>

Los Angeles County Children and Families First – Proposition 10 Commission
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	General Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Program revenues			
Operating grants and contributions			
Tobacco taxes	\$ 71,477,179	\$ (11,454,338)	\$ 60,022,841
Prop 56	18,068,329	-	18,068,329
State Commission Program Funds	1,901,074	(978,602)	922,472
Medi-Cal Administrative Activities	133,955	-	133,955
California Department of Education	328,658	-	328,658
Other program revenue	320,982	263,136	584,118
	<u>92,230,177</u>	<u>(12,169,804)</u>	<u>80,060,373</u>
Total program revenues			
General revenues			
Investment income	6,938,051	-	6,938,051
Net increase in fair value of investments	1,354,275	-	1,354,275
Other general income	110,899	-	110,899
	<u>8,403,225</u>	<u>-</u>	<u>8,403,225</u>
Total general revenues			
Total revenues	<u>100,633,402</u>	<u>(12,169,804)</u>	<u>88,463,598</u>
Expenditures/expenses			
Provider grants and other allocations	93,379,930	-	93,379,930
Pass-through grants	65,042	-	65,042
Salaries and benefits	17,281,687	111,632	17,393,319
Operating services	1,212,116	-	1,212,116
Consultant services	1,308,527	-	1,308,527
Professional services	323,816	-	323,816
Professional development	176,217	-	176,217
Travel	224,934	-	224,934
Capital outlay	87,095	(87,095)	-
Depreciation	-	300,441	300,441
	<u>114,059,364</u>	<u>324,978</u>	<u>114,384,342</u>
Total expenditures/expenses			
Excess/(deficiency) of revenues over/(under) expenditures	(13,425,962)	-	-
Net Change in Fund Balance	(13,425,962)	13,425,962	-
Change in Net Position	-	(25,920,744)	(25,920,744)
Fund balance/net position			
Beginning of year	<u>352,109,768</u>	<u>23,069,925</u>	<u>375,179,693</u>
End of year	<u>\$ 338,683,806</u>	<u>\$ 10,575,143</u>	<u>\$ 349,258,949</u>

Note 1 - Organization and Summary of Significant Accounting Policies**Reporting Entity**

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

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

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

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

Basis of Accounting and Measurement Focus**Government-Wide Financial Statements**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with operation of the Commission's fund are included on the statement of net position. The statement of activities presents a comparison of the direct expenses and program revenues for the Commission's governmental activities. Program revenues include grants and contributions restricted for the operational requirements of a particular program. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Program revenues include tobacco taxes and grants and contributions that are restricted to meeting the operational requirements of a particular program. General revenues are all revenues that do not qualify as program revenues and include investment income and other income. Net position represent the resources that the Commission has available for use in providing services. Net position is composed of net investment in capital assets and unrestricted funds. At June 30, 2020, the Commission reported unrestricted net position of \$338,630,916.

Fund Financial Statements

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance of the Commission's general fund. These statements are presented on a current-financial resources measurement focus. The fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in net current resources. All operations of the Commission are accounted for in the general fund.

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 60 days after year-end. Revenues susceptible to accrual include tax revenues, grants, and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences which are recorded only when payment is due.

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements**Capital Assets**

Capital assets are not considered to be financial resources and therefore, are not reported as an asset in the fund financial statements. Capital assets in the amount of \$10,628,033 are capitalized and reported at cost, net of accumulated depreciation, in the government-wide financial statements. Capital assets purchased during the year in the amount of \$87,095 are reported as expenditures on the fund financial statements and capitalized on the government-wide financial statements. Depreciation expense for the year ended June 30, 2020 amounted to \$300,441 and is included in the government-wide financial statements.

Long-Term Liabilities

As of June 30, 2020, the Commission estimated its liability for vested compensated absences to be \$802,698. Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government-wide financial statements and are included in long-term liabilities. The change in compensated absences during the year of \$111,632 is reported in the statement of activities and does not require the use of current financial resources.

For the year ended June 30, 2020, the Commission maintained a security deposit in the amount of \$16,480 related to a facility use agreement with La Petite Academy for use of the first floor of the Commission's building for the period of July 1, 2012 through June 30, 2020.

Unavailable Revenue

Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission's established availability period of 60 days. All other accrued revenues due to the Commission are recognized as unavailable revenue at year-end in the fund financial statements. Governmental funds recognized unavailable revenue where receivables are not available to liquidate liabilities of the current period. As of June 30, 2020, the Commission has unavailable revenues of \$766,288. The change in unavailable revenue during the year of (\$12,169,804) is reported in the statement of activities.

Net Position

In the government-wide financial statements, net position represents the difference between assets less liabilities and is classified into two components:

- Net investment in capital assets – This balance reflects the net position of the Commission that are invested in capital assets. This amount is generally not accessible for other purposes.
- Unrestricted net position – This balance represents the net amount of the assets and liabilities that are available for general use.

Fund Balance

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission established the following classifications and definitions of fund balance for the year ended June 30, 2020:

- a. **Nonspendable**
Portion of net resources that cannot be spent because they are not in an expendable form (e.g. Advances to Grantees) or the portion of net resources that cannot be spent because they must be maintained intact (e.g. revolving fund or the principal of an endowment).
- b. **Restricted (externally enforceable limitations on use)**
Amounts constrained to specific purposes by their providers (such as creditors, grantors, contributors, or laws and regulations of other governments: e.g. funds advanced by First 5 CA under specific agreements for services such as matching funds for specific initiatives). Amounts constrained by limitations imposed by law through constitutional provisions or enabling legislation (e.g. funds legally restricted by County, state, or federal legislature, or a government's charter or constitution; or amounts collected from non-spendable items such as long term portion of loan outstanding if those amounts are subject to legal constraint).
- c. **Committed (self-imposed limitations in place prior to end of the period)**
Amounts constrained by limitations imposed at the highest level of decision making authority that requires the same formal action at the same level to remove or modify. The formal action required by the Board of Commissioners for funds to be committed is action by way of resolution allocating funding for a specific program or initiative.
- d. **Assigned (limitation resulting from intended use)**
Amounts or limitations that are constrained by the Commission's intent to be used for a specific purpose (the purpose of the assignment must be narrower than the general fund itself) and are not either restricted or committed. Adoption of a Strategic Plan or Long Term Financial Plan with general spending parameters would be examples of the Commission's intent and would constitute an assignment. Accordingly, modification to the Commission's intent would not require formal action. Further, the Commission may designate a body/committee or an official who can specify such purposes. However, as of June 30, 2020, the Commission had not made such a designation.
- e. **Unassigned (residual net resources)**
Resources in the fund balance that cannot be reported in any other classification including a minimum fund balance reserve based on 50% of the operating and programmatic budget. It also includes the negative residual fund balance that cannot be eliminated by offsetting assigned fund balance amounts.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources as needed. The spending priority of fund balance is restricted, committed, assigned, and then unassigned.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements**Effective in Current Fiscal Year**

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This statement was effective upon issuance. The Commission implemented this statement effective July 1, 2019 and has determined that there was no impact on the Commission’s financial statements.

Effective in Future Fiscal Years

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

GASB Statement No. 84 - Fiduciary Activities.

GASB Statement No. 87 - Leases.

GASB Statement No. 89 - Accounting for Interest Cost Incurred Before the End of a Construction Period.

GASB Statement No. 90 - Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.

GASB Statement No. 91 - Conduit Debt Obligations.

GASB Statement No. 92 - Omnibus 2020.

GASB Statement No. 93 - Replacement of Interbank Offered Rates.

GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements.

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements.

GASB Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

Investments

The Commission participates in the common investment pool of Los Angeles County. Investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Los Angeles County Treasurer is responsible for establishing and consistently applying a policy for identifying those events that might affect fair value measurements.

Advances to Grantees

The Commission may provide advances to grantees/contractors that are repayable by the end of the fiscal year unless otherwise stipulated by contract or agreement. During fiscal year 2019-20, the Commission entered into agreements with various grantees to support the Commission’s 2015-2020 Strategic Plan “Focusing for the Future”. The Commission has the following outstanding advances to grantees as of June 30, 2020.

Advances to Grantees	
Los Angeles Universal Preschool	\$ 1,718,283
Community Partners	467,596
Los Angeles County Office of Education	<u>7,237</u>
Total advances to grantees	<u><u>\$ 2,193,116</u></u>

Capital Assets

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

Deferred Inflows of Resources

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

Use of Estimates

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

Note 2 - Cash and Investments

Total cash and investments at fair value, as of June 30, 2020 are as follows:

Cash	
Cash in bank	\$ 91,619
Investments	
Money Market Mutual Funds	8,000,795
Investments with County Treasurer	
Pooled cash and investments	<u>339,499,397</u>
Total investments	<u>347,500,192</u>
Total cash and investments	<u><u>\$ 347,591,811</u></u>

Cash in Bank

The California Government Code requires California banks and savings and loan associations to secure the Commission's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits and collateral is considered to be held in the name of the Commission. At June 30, 2020, cash held by financial institutions of \$93,860 was entirely insured and collateralized as described above. The book balance at June 30, 2020 was \$91,619.

Pooled Cash and Investments

Investments with the Los Angeles County Treasurer at June 30, 2020 are stated at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals. As of June 30, 2020, the Commission's percentage of participation is 1.02. The Los Angeles County Treasury is sponsored and administered by the County of Los Angeles and oversight is conducted by the County Treasury Oversight Committee. At June 30, 2020, the weighted average maturity for the County pool approximated 590 days and the County pool is not rated. For further information regarding the Los Angeles County Investment Pool, refer to the County of Los Angeles Comprehensive Annual Financial Report.

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Commission’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the Commission’s proportionate share of investments in the Los Angeles County Investment Pool at June 30, 2020 is uncategorized and not defined as a Level 1, Level 2, or Level 3 input. The Commission’s investment in money market mutual funds is defined as a Level 2.

The table below identifies the investment types that are authorized by the California Government Code or the Commission’s investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the Commission’s investment policy for a Specifically Invested Portfolio, where more restrictive, that address interest rate risk, credit risk, and concentration of credit risk.

Type	Limit Per Issuer	Total Limit	Maximum Maturity
Certificates of Deposits (CDs)	5%	30%	5 Years
Commercial Paper (CP)	5%	40%	5 Years
Corporate Notes	5%	30%	5 Years
Federal Agencies	15%	60%	5 Years
U.S. Treasuries	100%	100%	5 Years
Los Angeles County Investment Pool	None	None	N/A
Money Markey Mutual Funds	None	None	None

The County Treasurer's Investment Policy diversifies investments among issues and issuers with a minimum credit rating to mitigate credit risk. For an issuer of short-term debt, the rating must be no less than P-1/A (Moody's) or A-1/A (S&P) while an issuer of long-term debt shall be rated no less than A. The Commission’s investment in money market mutual funds is rated Aaa (Moody’s) and AAA (S&P).

Los Angeles County Children and Families First – Proposition 10 Commission

Notes to Financial Statements
For the Year Ended June 30, 2020

Note 3 - Capital Assets

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets, not depreciated				
Land	\$ 2,039,000	\$ -	\$ -	\$ 2,039,000
Capital assets, depreciable				
Building and improvements	12,076,512	-	-	12,076,512
Computer software and accessories	1,952,690	87,095	-	2,039,785
Office equipment	331,035	-	-	331,035
Furniture and fixtures	627,670	-	-	627,670
Total depreciable capital assets	14,987,907	87,095	-	15,075,002
Less accumulated depreciation				
Building and improvements	(3,405,660)	(242,542)	-	(3,648,202)
Computer software and accessories	(1,821,167)	(57,899)	-	(1,879,066)
Office equipment	(331,032)	-	-	(331,032)
Furniture and fixtures	(627,669)	-	-	(627,669)
Total accumulated depreciation	(6,185,528)	(300,441)	-	(6,485,969)
Total capital assets, depreciable (Net)	8,802,379	(213,346)	-	8,589,033
Capital assets, net	<u>\$ 10,841,379</u>	<u>\$ (213,346)</u>	<u>\$ -</u>	<u>\$ 10,628,033</u>

Note 4 - Changes in Compensated Absences

Compensated absences liability activities for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Compensated absences	<u>\$ 691,066</u>	<u>\$ 767,198</u>	<u>\$ (655,566)</u>	<u>\$ 802,698</u>	<u>\$ 133,782</u>

Note 5 - Fund Balance

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance at June 30, 2020 consists of the following:

Initiative/Program Allocation	Nonspendable
Los Angeles Universal Preschool (LAUP) dba: Child360	\$ 1,718,283
Community Partners	467,596
Los Angeles County Office of Education (LACOE)	7,237
Total Nonspendable	<u>\$ 2,193,116</u>
	Committed
Families	\$ 37,631,000
Communities	20,200,000
Early Care & Education Systems	18,791,000
Health-Related Systems	4,368,000
Policy Agenda/Advocacy	1,515,000
Communications & Marketing	5,748,000
County Partnerships	315,000
Strategic Partnership - Cross-Cutting Funder Partnership	692,000
Strategic Partnership - Grantmaking Memberships	41,000
Community Engagement and Advocacy	207,000
Communities of Practice	114,000
Data Development and Integration	752,000
Data Partnership with Funders	850,000
Dissemination	20,000
Impact Framework	325,000
Knowledge Management	80,000
Learning Plan Development	100,000
Program Evaluation	2,082,000
Staff Capacity Building	75,000
Baby Friendly Hostpitals/Family Place Libraries	22,958,080
Black Infant Health	1,559,165
Little by Little/One Step Ahead	10,306,010
Emerging Opportunities Fund	3,000,000
Capital Project Fund	6,609,275
Total Committed	<u>\$ 138,338,530</u>
	Assigned
Strategic Plan	\$ 113,226,421
Total Assigned	<u>\$ 113,226,421</u>
	Unassigned
Unassigned	\$22,797,493
Fund Balance Reserve - 50% of total FY 20-21 Budget	62,128,246
Total Unassigned	<u>\$ 84,925,739</u>
Total Fund Balance	<u><u>\$ 338,683,806</u></u>

Note 6 - Program Evaluation

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

The Commission spent \$3,397,082 on program evaluation during the year ended June 30, 2020.

Note 7 - Deferred Compensation Plans

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

Regular and limited-term employees are eligible to receive both an elective and a non-elective contribution based on years of completed service with the organization. The elective contribution requires employee participation in order to receive the employer match, and is between 1% and 3% depending on the employee's contribution and the years of service the employee has completed with the organization: 1% for less than one year, 2% after one year and 3% for after two years or more of completed service. The Commission also makes a separate, non-elective contribution into the retirement plan regardless of employee participation. This non-elective employer contribution is between 3% and 7.5% based on years of completed service with the organization: 3% for less than 5 years, 4.5% for 5 to 9 years, 6% for 10 to 14 years, and 7.5% after 15 years or more of completed service. Employer contributions are not 100% vested until an employee has completed three years of service with the organization, with a graded vesting schedule for employees who complete at least one year of service. The Commission contributed a total of \$843,821, comprised of \$344,670 in elective contribution and \$499,151 in non-elective contribution for the fiscal year ended June 30, 2020.

Note 8 - Unavailable Revenue

The general fund reports unavailable revenue on the governmental fund balance sheet in connection with resources that have been earned but are not yet available to finance expenditures of the current fiscal period. This type of deferred inflow of resources occurs only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the general fund balance sheet. At the end of the current fiscal year, the components of unavailable revenue resulting from funds not received within the 60-day period of availability were as follows:

Unavailable Revenue	
IMPACT Funds	\$ 200,000
Hubs Funds	282,800
LA County: CHOI- MAA Federal Funds	226,954
University of Utah - Pritzker/Sorenson Grant	<u>56,534</u>
 Total unavailable revenue	 \$ <u><u>766,288</u></u>

Note 9 - Risk Management

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

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

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

Note 10 - Commitments and Contingencies

Operating Lease

The Commission leases equipment from a third party which expires in May 2022 and August 2024 and are non-cancelable. The future minimum rental payments due under the lease are as follows:

For Year Ending June 30,	Annual
2021	\$ 33,753
2022	32,715
2023	21,290
2024	21,290
2025	3,548
Total	<u>\$ 112,596</u>

The Commission recognized \$39,746 in lease expense for the year ended June 30, 2020.

Future Funding

The Commission has entered into future funding commitments with various entities, which are contingent on State funding.

Note 11 - Related Party Transactions

The Commission incurred expenses totaling \$41,330 for County of Los Angeles services provided during the year ended June 30, 2020.

The Commission paid \$41,043,816 of provider grants, operating services, consultant services, and professional services to organizations which are represented by 12 members of the Board of Commissioners.

Note 12 - First 5 California Signature Programs

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

The purpose of IMPACT is to support a network of local quality improvement systems to better coordinate, assesses, and improve the quality of early learning settings to achieve the goal of helping children ages 0 to 5 and their families thrive by increasing the number of high quality early learning settings, including supporting and engaging families in the early learning process. Funding is to center around Continuous Quality Improvement, including a network of local Quality Rating and Improving System (QRIS). All IMPACT funds require a local match based on county size. For the Commission, a one to one match ratio or a dollar of local funding match with a dollar of IMPACT fund is required. The Commission claimed \$650,251 in IMPACT Regional Coordination and Training reimbursable expenditures for the year ended June 30, 2020.

For IMPACT Hubs, the primary focus is to provide coordination and specialized support to consortia within a region or with similar technical assistance needs to create economies of scale while building a local early learning system. The Commission claimed \$146,900 in IMPACT Hubs reimbursable expenditures for the year ended June 30, 2020.

Required Supplementary Information
June 30, 2020

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

DRAFT 9/16/20

Los Angeles County Children and Families First – Proposition 10 Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance– Budget and Actual – General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Tobacco taxes	\$ 73,715,535	\$ 71,741,717	\$ 71,477,179	\$ (264,538)
Prop 56		-	18,068,329	18,068,329
State Commission Program Funds	-	-	1,901,074	1,901,074
Medi-Cal Administrative Activities	-	-	133,955	133,955
California Department of Education	-	-	328,658	328,658
Other program revenue	6,493,063	6,350,000	320,982	(6,029,018)
Investment income	4,492,864	4,711,550	6,938,051	2,226,501
Net increase (decrease) in fair value of investments	-	-	1,354,275	1,354,275
Other general income	-	-	110,899	110,899
Total revenues	<u>84,701,462</u>	<u>82,803,267</u>	<u>100,633,402</u>	<u>17,830,135</u>
Expenditures				
Program Costs				
Provider grants and other allocations	110,889,000	111,488,000	93,379,930	18,108,070
Pass-through grants	-	-	65,042	(65,042)
Total program costs	<u>110,889,000</u>	<u>111,488,000</u>	<u>93,444,972</u>	<u>18,043,028</u>
Operations & Administration				
Personnel Related Expenditures				
Salaries and wages	13,948,161	13,791,911	13,320,524	471,387
Fringe Benefits	3,919,170	3,919,170	3,961,163	(41,993)
Total personnel related expenditures	<u>17,867,331</u>	<u>17,711,081</u>	<u>17,281,687</u>	<u>429,394</u>
General Operating Expenditures				
ADP Payroll Charges	38,000	38,000	39,220	(1,220)
Workers' Compensation Insurance	65,000	68,000	67,984	16
Utilities	138,000	138,000	152,316	(14,316)
Corporate Insurance	75,000	84,300	87,132	(2,832)
Mileage and Parking	49,980	50,980	27,150	23,830
Telephones and Modems	55,800	55,800	55,935	(135)
Cell Phones and Mobile Devices	51,800	50,800	63,824	(13,024)
Outside Printing	20,500	20,500	7,768	12,732
Other Supplies	20,250	20,250	174	20,076
Postage and Delivery	13,200	13,200	3,064	10,136
Educational Supplies	3,900	3,900	2,734	1,166
Office Supplies	82,070	81,070	51,140	29,930
Subscriptions and Publications	21,155	20,905	21,644	(739)
Equipment Rental	55,000	55,000	39,746	15,254
Building Repairs and Maintenance	182,000	182,000	183,755	(1,755)
Equipment Repairs and Maintenance	13,000	13,000	-	13,000
Offsite Storage	35,152	35,152	23,748	11,404
Hardware and Software Maintenance	452,480	452,480	271,505	180,975
Miscellaneous/Contingency	70,000	70,000	-	70,000
Stipend/Honorarium	-	-	(900)	900
Internal Meetings	124,600	127,600	93,220	34,380
Division Capacity Building	100,000	100,000	2,503	97,497
Capital Outlay	134,500	134,500	18,454	116,046
Total general operating expenditures	<u>1,801,387</u>	<u>1,815,437</u>	<u>1,212,116</u>	<u>603,321</u>

Los Angeles County Children and Families First – Proposition 10 Commission
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund
 For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Professional Services				
Audit	80,000	80,000	41,646	38,354
Legal	175,000	169,000	83,167	85,833
Professional Dues	125,740	126,740	108,072	18,668
Staff Recruitment	20,000	10,000	6,204	3,796
Commission Stipends	30,000	30,000	15,300	14,700
Web-Based Services	50,000	48,000	28,097	19,903
Bank & Other Service Charges	32,000	42,700	41,330	1,370
Total professional services	<u>512,740</u>	<u>506,440</u>	<u>323,816</u>	<u>182,624</u>
Consultant Services				
Consultant Fees	\$ 1,372,700	\$ 1,479,862	\$ 971,822	\$ 508,040
Other Professional Fees	342,000	342,000	331,145	10,855
External Reviewers	1,000	2,500	5,560	(3,060)
Total consultant services	<u>1,715,700</u>	<u>1,824,362</u>	<u>1,308,527</u>	<u>515,835</u>
Travel and Meetings				
Airfare	176,500	174,500	80,278	94,222
Lodging	163,900	163,900	86,137	77,763
Per Diem	78,500	79,500	33,872	45,628
Other Travel Expense	29,950	32,021	24,647	7,374
Total travel and meetings	<u>448,850</u>	<u>449,921</u>	<u>224,934</u>	<u>224,987</u>
Professional Development				
Training Materials & Supplies	9,500	24,467	2,587	21,880
Internal Training	94,400	131,000	19,275	111,725
Leadership Programs	63,000	50,000	26,980	23,020
Conference Registration	211,150	205,950	76,947	129,003
External Education/Training	104,300	109,700	50,428	59,272
Total professional development	<u>482,350</u>	<u>521,117</u>	<u>176,217</u>	<u>344,900</u>
Capital Improvements	-	-	87,095	(87,095)
Total operating expenditures	<u>22,828,358</u>	<u>22,828,358</u>	<u>20,614,392</u>	<u>2,213,966</u>
Total program costs and operating expenditures	<u>133,717,358</u>	<u>134,316,358</u>	<u>114,059,364</u>	<u>20,256,994</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (49,015,896)</u>	<u>\$ (51,513,091)</u>	<u>\$ (13,425,962)</u>	<u>\$ 38,087,129</u>
Fund balance - Beginning of year			<u>352,109,768</u>	
Fund balance - End of year			<u>\$ 338,683,806</u>	

Note 1 – Budget Adoption

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

The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund includes the budgeted expenditures for the year, along with management’s estimate of revenues for the year. The legal level of budgetary control is at the total fund level. The total final budget for FY 2019-20 was \$134.3 million, which included \$111.5 million for Program costs and \$22.8 million for Operating and Administrative costs.

Other Supplementary Information
June 30, 2020

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

DRAFT 9/16/20

Los Angeles County Children and Families First – Proposition 10 Commission
 Schedule of First 5 California Funding
 For the Year Ended June 30, 2020

Program	Source	Revenue Funds	Expenditures
IMPACT Regional Coordination and Training	First 5 CA	\$ 650,251	\$ 650,251
Technical Assistance Hubs (Hubs)	First 5 CA	146,900	146,900

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

	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the Commission's financial performance and well-being have changed over time.	36-39
Revenue Capacity	
These schedules contain trend information to help the reader assess the Commission's most significant revenue base.	40-42
Demographic Information	
These schedules offer economic and demographic indicators to help the reader understand how the information in the Commission's financial report relates to the services the Commission provides and the activities it performs.	43-45
Operating Information	
This schedule contains infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services the Commission performs.	46-47

Sources:

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

DRAFT 9/16/20
 Los Angeles County Children and Families First – Proposition 10 Commission
 Net Position by Component
 Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	338,630,916	364,338,314	379,018,838	422,015,244	461,512,770	543,521,742	632,680,166	723,252,516	829,030,048	434,206,491
Net investment in capital asset	10,628,033	10,841,379	11,046,294	11,310,273	11,593,026	11,885,041	12,082,438	12,355,226	12,777,760	13,114,194
Total net position	<u>\$ 349,258,949</u>	<u>\$ 375,179,693</u>	<u>\$ 390,065,132</u>	<u>\$ 433,325,517</u>	<u>\$ 473,105,796</u>	<u>\$ 555,406,783</u>	<u>\$ 644,762,604</u>	<u>\$ 735,607,742</u>	<u>\$ 841,807,808</u>	<u>\$ 447,320,685</u>

* The Commission presented net position as unrestricted beginning with 2010.

DRAFT 9/16/20
Los Angeles County Children and Families First – Proposition 10 Commission
Changes Net Position
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018*</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues										
Tobacco taxes*	\$ 60,022,841	\$ 68,580,443	\$ 72,330,836	\$ 83,567,141	\$ 87,942,700	\$ 89,475,135	\$ 90,280,307	\$ 94,112,590	\$ 100,187,619	\$ 100,269,182
Prop. 56	18,068,329	7,482,310	-	-	-	-	-	-	-	28,465,232
State School Readiness	-	-	-	-	-	-	-	-	-	-
State Commission Program Funds	922,472	13,986,085	896,040	556,665	5,796,252	10,283,414	18,009,907	2,749,082	8,098,412	7,933,188
Medi-Cal Administrative Activities	133,955	350,924	181,859	137,599	159,549	80,799	232,408	316,369	483,325	507,869
Partnership for Families Fund**	-	-	-	4,334,967	9,001,152	4,615,313	-	-	-	-
California Department of Education	328,658	376,551	298,700	-	-	-	-	-	-	-
Other program revenue	584,118	123,793	1,016,683	401,956	115,000	-	-	-	-	-
Investment income	6,938,051	8,183,532	6,830,856	4,003,489	3,759,751	3,903,275	6,368,593	(3,402,141)	915,935	12,004,422
Net increase (decrease) in FMV of investments	1,354,275	4,898,141	(2,742,856)	(3,026,254)	1,064,007	2,152,879	-	-	-	-
Other revenues	110,899	133,321	148,135	122,208	119,100	104,072	100,320	98,880	9,048	290,093
Total revenues:	<u>\$ 88,463,598</u>	<u>\$ 104,115,100</u>	<u>\$ 78,960,253</u>	<u>\$ 90,097,771</u>	<u>\$ 107,957,511</u>	<u>\$ 110,614,887</u>	<u>\$ 114,991,535</u>	<u>\$ 93,874,779</u>	<u>\$ 109,694,339</u>	<u>\$ 149,469,986</u>
Expenses										
Provider grants and other allocations	\$ 93,379,930	\$ 97,979,838	\$ 101,364,209	\$ 106,777,128	\$ 159,337,913	\$ 182,991,937	\$ 189,910,283	\$ 185,753,622	\$ 124,709,026	\$ 133,261,213
Pass-through grants	65,042	273,294	136,877	4,150,975	13,519,735	N/A	N/A	N/A	N/A	N/A
AB 99	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(424,388,705)	424,388,705
First 5 California (SRI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,137,220	2,506,120
Salaries and benefits	17,393,319	17,532,230	17,382,747	15,763,620	14,357,480	13,423,832	12,682,373	11,583,915	11,153,057	10,685,423
Operating services	1,212,116	1,122,911	1,232,687	1,172,319	1,157,290	1,346,532	1,207,259	1,159,609	1,138,850	1,324,708
Consultant services	1,308,527	881,090	850,154	999,806	990,724	1,216,609	956,488	549,676	331,046	1,523,221
Professional services	323,816	382,450	500,050	346,529	323,336	404,560	543,038	426,726	540,606	398,819
Professional development	176,217	186,902	166,975	-	-	-	-	-	-	-
Other expenses	224,934	339,524	273,951	358,346	255,453	264,892	183,974	149,116	114,384	116,223
Depreciation	300,441	302,300	312,988	309,327	316,567	322,346	353,258	452,182	471,732	585,814
Total expenses:	<u>\$ 114,384,342</u>	<u>\$ 119,000,539</u>	<u>\$ 122,220,638</u>	<u>\$ 129,878,050</u>	<u>\$ 190,258,498</u>	<u>\$ 199,970,708</u>	<u>\$ 205,836,673</u>	<u>\$ 200,074,846</u>	<u>\$ (284,792,784)</u>	<u>\$ 574,790,246</u>
Change in net position	<u>\$ (25,920,744)</u>	<u>\$ (14,885,439)</u>	<u>\$ (43,260,385)</u>	<u>\$ (39,780,279)</u>	<u>\$ (82,300,987)</u>	<u>\$ (89,355,821)</u>	<u>\$ (90,845,138)</u>	<u>\$ (106,200,066)</u>	<u>\$ 394,487,123</u>	<u>\$ (425,320,260)</u>

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

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

DRAFT 9/16/20
 Los Angeles County Children and Families First – Proposition 10 Commission
 Fund Balances – General Fund
 Last Ten Fiscal Years

	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>	<u>2013*</u>	<u>2012*</u>	<u>2011*</u>
Fund Balance										
Nonspendable	\$ 2,193,116	\$ 50,000	\$ 1,044,000	\$ 19,760,505	\$ 34,279,475	\$ 39,411,636	\$ 37,578,099	\$ 27,022,268	\$ 19,960,620	\$ -
Committed	138,338,530	154,580,859	195,282,039	216,214,576	249,515,814	340,879,636	451,133,640	561,003,855	631,710,435	632,471,832
Assigned	113,226,421	141,221,211	125,245,775	128,331,556	114,665,689	78,113,279	57,716,899	64,902,466	153,086,390	-
Unassigned	84,925,739	56,257,698	57,847,860	57,832,380	61,615,198	78,223,453	79,494,722	70,816,380	16,691,138	(205,716,806)
Total Fund Balance	<u>\$ 338,683,806</u>	<u>\$ 352,109,768</u>	<u>\$ 379,419,674</u>	<u>\$ 422,139,017</u>	<u>\$ 460,076,176</u>	<u>\$ 536,628,004</u>	<u>\$ 625,923,360</u>	<u>\$ 723,744,969</u>	<u>\$ 821,448,583</u>	<u>\$ 426,755,026</u>

* Fund balance presentation changed in fiscal year 2010-2011 due to the implementation of GASB 54.

DRAFT 9/16/20
Los Angeles County Children and Families First – Proposition 10 Commission
Changes in Fund Balances – General Fund
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Tobacco taxes*	\$ 71,477,179	\$ 68,580,443	\$ 72,330,836	\$ 83,567,141	\$ 87,942,700	\$ 89,475,135	\$ 90,280,307	\$ 94,112,590	\$ 100,187,619	\$ 100,269,182
Prop. 56	18,068,329	7,482,310	-	-	-	-	-	-	-	-
State School Readiness	-	-	-	-	-	-	-	-	-	39,242,565
State Commission Program Funds	1,901,074	13,986,085	896,040	556,665	5,796,252	11,050,327	10,668,187	10,741,413	7,960,036	95,713
Medi-Cal Administrative Activities	133,955	350,924	181,859	137,599	159,549	80,799	232,408	316,369	483,325	507,869
Partnership for Families Funds*	-	-	-	4,334,967	9,001,152	3,701,993	-	-	-	-
California Department of Education	328,658	376,551	298,700	-	-	-	-	-	-	-
Other program revenue	320,982	123,793	1,016,683	401,956	115,000	-	-	-	-	-
Investment income	6,938,051	8,183,532	6,830,856	4,003,489	3,759,751	3,903,275	6,368,593	(3,402,141)	915,935	12,004,422
Net increase (decrease) in FMV of investments	1,354,275	4,898,141	(2,742,856)	(3,026,254)	1,064,007	2,152,879	-	-	-	-
Other income	110,899	133,321	148,135	122,208	119,100	104,072	100,320	98,880	9,048	290,093
Total revenues:	\$ 100,633,402	\$ 104,115,100	\$ 78,960,253	\$ 90,097,771	\$ 107,957,511	\$ 110,468,480	\$ 107,649,815	\$ 101,867,110	\$ 109,555,963	\$ 152,409,844
Expenditures:										
Provider grants and other allocations	\$ 93,379,930	\$ 97,979,838	\$ 101,364,209	\$ 106,777,128	\$ 159,337,913	\$ 182,991,937	\$ 189,910,283	\$ 185,753,622	\$ 124,709,026	\$ 133,261,213
Pass-through grants	65,042	273,294	136,877	4,150,975	13,519,735	N/A	N/A	N/A	N/A	N/A
AB 99	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(424,388,705)	424,388,705
First 5 California (SRI)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,137,220	2,506,120
Salaries and benefits	17,281,687	17,532,230	17,382,747	15,763,620	14,357,480	13,414,357	12,589,911	11,502,328	11,144,681	10,619,053
Operating services	1,212,116	1,122,911	1,232,687	1,172,319	1,157,290	1,346,532	1,207,258	1,159,609	1,138,850	1,324,708
Consultant services	1,308,527	881,090	850,154	999,806	990,724	1,216,609	956,488	549,676	331,046	1,523,221
Professional services	323,816	382,450	500,050	346,529	323,336	404,560	543,038	426,726	540,606	398,819
Professional development	176,217	186,902	166,975	-	-	-	-	-	-	-
Other expenses	224,934	339,524	273,951	358,346	255,453	264,892	183,974	149,116	114,384	116,223
Capital outlay	87,095	302,300	312,988	309,327	\$ 316,567	124,949	80,471	29,648	135,298	294,166
Total expenditures:	\$ 114,059,364	\$ 119,000,539	\$ 122,220,638	\$ 129,878,050	\$ 190,258,498	\$ 199,763,836	\$ 205,471,423	\$ 199,570,724	\$ (285,137,594)	\$ 574,432,228
Excess of revenues over expenditures	\$ (13,425,962)	\$ (14,885,439)	\$ (43,260,385)	\$ (39,780,279)	\$ (82,300,987)	\$ (89,295,356)	\$ (97,821,608)	\$ (97,703,614)	\$ 394,693,557	\$ (422,022,384)

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

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

Los Angeles County Children and Families First – Proposition 10 Commission
 First 5 California County Tax Revenue Projections for FY 2019-2020 – FY2023-2024

<u>2016</u> <u>Projected</u> <u>Births</u>	<u>2016</u> <u>Projected</u> <u>Birthrate</u>	<u>2018-2019</u> <u>Tax Revenue</u> <u>Projection</u>	<u>2017</u> <u>Projected</u> <u>Births</u>	<u>2017</u> <u>Projected</u> <u>Birthrate</u>	<u>2019-2020</u> <u>Tax Revenue</u> <u>Projection</u>	<u>2018</u> <u>Projected</u> <u>Births</u>	<u>2018</u> <u>Projected</u> <u>Birthrate</u>	<u>2020-2021</u> <u>Tax Revenue</u> <u>Projection</u>	<u>2019</u> <u>Projected</u> <u>Births</u>	<u>2019</u> <u>Projected</u> <u>Birthrate</u>	<u>2021-2022</u> <u>Tax Revenue</u> <u>Projection</u>	<u>2020</u> <u>Projected</u> <u>Births</u>	<u>2020</u> <u>Projected</u> <u>Birthrate</u>	<u>2022-2023</u> <u>Tax Revenue</u> <u>Projection</u>	<u>2021</u> <u>Projected</u> <u>Births</u>	<u>2021</u> <u>Projected</u> <u>Birthrate</u>	<u>2023-2024</u> <u>Tax Revenue</u> <u>Projection</u>
122,958	25.169%	\$ 72,739,589	121,413	24.987%	\$ 71,741,717	119,336	24.735%	\$ 69,271,309	117,752	24.555%	\$ 67,078,213	115,758	24.303%	\$ 64,761,175	114,079	24.070%	\$ 62,565,322

Source:
 "First 5 California County Tax Revenue Projections for FY 2018-19 through 2023-24"
 (Updated 5/20/2019 Utilizing DOF May Revise 2019 Tobacco Tax Projections and DOF Birth Projections for California State and Counties 1990-2040)

DRAFT 9/16/20
Los Angeles County Children and Families First – Proposition 10 Commission
Cigarette Taxes and Other Tobacco Products Surtax Revenue
1959-60 to 2018-19
(In thousands of dollars)

Fiscal year	Cigarette tax				Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue	Rate
2018-19	\$1,786,074,000	\$ 5,305,000	\$ 1,791,379,000	\$ 3,659,000	\$ 271,772,000	62.78%
2017-18	1,852,854,000	15,884,000	1,868,738,000	1,033,000	169,244,000	65.08%
2016-17	948,636,000	8,133,000 d/	956,769,000 d/	1,185,000	95,330,000	27.30%
2015-16	741,937,000	6,360,000	748,297,000	1,262,000	101,427,000	28.13%
2014-15	748,022,000	6,413,000	754,434,000	837,000	86,949,000	28.95%
2013-14	751,513,000	6,443,000	757,956,000	600,000	86,424,000	29.82%
2012-13	782,115,000	6,705,000	788,820,000	498,000	82,548,000	30.68%
2011-12	820,322,000	7,032,000	827,355,000	1,017,000	80,424,000	31.73%
2010-11	828,831,000	7,105,000	835,937,000	1,308,000	77,016,000	33.02%
2009-10	838,709,000	7,187,000	845,896,000	1,583,000	84,617,000	41.11%
2008-09	912,724,000	7,819,000	920,543,000	626,000	85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	50,037,000	52.65% e/
2000-01	1,110,692,000	9,503,000	1,120,195,000	8,741,000	52,834,000	54.89%
1999-00	1,166,880,000	9,980,000	1,176,859,000	9,413,000	66,884,000	66.50%
1998-99	841,911,000	7,206,000	849,117,000	6,808,000	42,137,000 g/	61.53% g/
1997-98	612,066,000	5,244,000	617,309,000	5,448,000	39,617,000	29.37%
1996-97	629,579,000	5,394,000	634,973,000	5,060,000	41,590,000	30.38%
1995-96	639,030,000	5,469,000	644,499,000	6,193,000	32,788,000	31.20%
1994-95	656,923,000	5,628,000	662,551,000	11,159,000	28,460,000	31.20%
1993-94	647,993,000	5,553,000	653,546,000	8,353,000	19,773,000	23.03%
1992-93	667,479,000	5,715,000	673,195,000	9,138,000	21,480,000	26.82%
1991-92	711,275,000	6,086,000	717,362,000	7,791,000	22,016,000	29.35%
1990-91	729,612,000	6,242,000	735,854,000	7,904,000	24,064,000	34.17%
1989-90	770,042,000	6,581,000	776,623,000	11,615,000	24,956,000 h/	37.47%
1988-89	499,712,000	4,273,000	503,984,000	4,968,000	9,994,000 h/	41.67%
1987-88	254,869,000	2,180,000	257,049,000	2,970,000		
1986-87	257,337,000	2,202,000	259,539,000	2,661,000		
1985-86	260,960,000	2,231,000	263,190,000	2,834,000		
1984-85	265,070,000	2,267,000	267,337,000	2,390,000		
1983-84	265,265,000	2,267,000	267,532,000	2,756,000		
1982-83	273,748,000	2,336,000	276,084,000	2,060,000		
1981-82	278,667,000	2,383,000	281,050,000	1,843,000		
1980-81	280,087,000	2,395,000	282,482,000	1,567,000		
1979-80	272,119,000	2,327,000	274,446,000	1,645,000		
1978-79	270,658,000	2,315,000	272,973,000	1,408,000		
1977-78	275,042,000	2,352,000	277,394,000	1,239,000		
1976-77	270,502,000	2,315,000	272,817,000	832,000		
1975-76	269,852,000	2,309,000	272,161,000	927,000		
1974-75	264,182,000	2,262,000	266,444,000	745,000		
1973-74	259,738,000	2,222,000	261,960,000	632,000		
1972-73	253,089,000	2,167,000	255,256,000	626,000		
1971-72	248,398,000	2,127,000	250,525,000	677,000		
1970-71	240,372,000	2,058,000	242,430,000	552,000		

Fiscal year	Cigarette tax			Other tobacco products surtax	
	Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Revenue Rate
1969-70	237,220,000	2,032,000	239,253,000	455,000	
1968-69	238,836,000	2,046,000	240,882,000	492,000	
1967-68	208,125,000	1,862,000	209,987,000	328,000	
1966-67	75,659,000	1,543,000	77,202,000	129,000	
1965-66	74,880,000	1,528,000	76,407,000	88,000	
1964-65	74,487,000	1,520,000	76,007,000	61,000	
1963-64	71,530,000	1,459,000	72,989,000	71,000	
1962-63	70,829,000	1,445,000	72,274,000	79,000	
1961-62	68,203,000	1,390,000	69,593,000	47,000	
1960-61	66,051,000	1,675,000 ^{l/}	67,726,000	76,000	
1959-60	61,791,000	767,000 ^{m/}	62,558,000	67,000	

Footnotes

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

DRAFT 9/16/20
Los Angeles County Children and Families First – Proposition 10 Commission
Demographic Data and Economic Statistic

Demographic Data

	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)
Total Population	9,902,197	9,990,748	10,067,904	10,126,977	10,181,066	10,215,207	10,261,736	10,278,836	10,324,698	10,257,557
White	2,743,604	2,746,860	2,747,854	2,745,389	2,742,057	2,734,611	2,732,047	2,722,365	2,724,168	2,637,825
Black	827,192	830,806	833,290	834,117	833,564	831,614	831,069	828,565	832,355	833,261
American Indian	19,581	19,753	19,859	19,959	20,027	20,093	20,175	20,229	20,410	29,994
Asian	1,344,135	1,354,023	1,364,296	1,372,821	1,381,892	1,385,913	1,393,055	1,395,155	1,395,377	1,646,804
Native Hawaiian & Other Pacific Islander	23,398	23,705	23,919	24,085	24,189	24,289	24,403	24,476	24,597	23,806
Hispanic or Latino	4,759,731	4,827,179	4,886,304	4,934,442	4,979,470	5,015,652	5,054,516	5,078,483	5,114,541	4,877,565
Multi-race	184,556	188,422	192,382	196,164	199,867	203,035	206,471	209,563	209,563	208,302
Female	5,019,305	5,062,122	5,099,417	5,127,633	5,155,652	5,175,095	5,201,009	5,210,549	5,232,284	5,194,651
Male	4,882,892	4,928,626	4,968,487	4,999,344	5,025,414	5,040,112	5,060,727	5,068,287	5,092,414	5,062,906
Under 5 years	649,434	648,278	646,688	646,206	645,034	634,158	624,988	607,092	587,690	568,989
5-9 years	631,437	638,148	643,942	644,459	643,497	644,771	640,576	636,547	637,200	634,122
10-14 years	662,373	651,743	643,751	637,498	632,422	629,523	634,291	637,463	638,667	632,785
15-19 years	766,806	767,285	755,305	742,241	727,556	713,861	697,383	692,400	691,590	682,645
20-24 years	752,195	764,271	783,178	797,897	807,553	810,493	802,622	786,678	773,665	771,182
25-29 years	740,780	722,040	700,712	681,244	668,489	666,490	676,732	691,365	706,231	705,970
30-39 years	1,429,129	1,437,704	1,447,018	1,450,724	1,447,331	1,440,568	1,431,051	1,413,067	1,397,968	1,423,634
40-49 years	1,428,340	1,432,793	1,429,492	1,423,090	1,419,677	1,414,860	1,413,542	1,406,380	1,400,493	1,351,616
50-59 years	1,257,742	1,285,111	1,311,668	1,330,539	1,343,517	1,348,247	1,354,647	1,355,259	1,362,848	1,333,654
60-69 years	821,450	859,004	896,157	935,625	979,320	1,016,812	1,048,181	1,075,050	1,104,938	1,100,157
70-79 years	449,308	465,003	484,287	504,232	525,638	546,827	579,910	611,339	643,520	657,221
80+ years	313,203	319,368	325,706	333,222	341,032	348,597	357,813	366,196	379,888	395,582

Source:

(1) State of California, Department of Finance, Population Projections for California and Its Counties 2010-2060. Sacramento, CA, January 2013.

Economic Data

	2011	2012	2013	2014	2015	2016	2017	2018	2019**	2020**
LA County Personal Income	\$ 454,935,533	486,733,508	483,578,594	514,516,564	549,073,019	563,907,868	593,741,110	628,808,732	N/A	N/A
LA County Per Capita Personal Income	46,007	48,900	48,283	51,111	54,298	55,624	58,419	62,224	N/A	N/A
California Personal Income	\$ 1,727,433,579	1,838,567,162	1,861,956,514	1,986,025,976	2,133,664,158	2,212,691,221	2,303,870,496	2,475,727,500	N/A	N/A
California Per Capita Personal Income	45,854	48,359	48,555	51,317	54,664	56,374	58,272	62,586	N/A	N/A
United States Personal Income	\$ 13,233,436,000	13,904,485,000	14,068,960,000	14,811,388	15,547,661,000	15,913,777,000	16,413,550,863	17,572,929,100	N/A	N/A
United States Per Capita Personal Income	42,463	44,283	44,489	46,486	48,429	49,204	50,392	53,712	N/A	N/A

Source:

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

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

**2019 and 2020 economic data is not yet available for Los Angeles County, State of California and United States.

Area	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
United States	3.7%	3.7%	4.4%	4.3%	5.3%	6.2%	7.4%	8.1%	8.9%	9.6%
California	4.0%	4.2%	4.8%	4.7%	6.2%	7.5%	8.9%	10.4%	11.8%	12.4%
Los Angeles County	4.0%	4.6%	4.7%	4.6%	6.7%	8.3%	9.9%	10.9%	12.3%	12.6%

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

DRAFT 9/16/20
 Los Angeles County Children and Families First – Proposition 10 Commission
 Ten Largest Industries

Industry	June 30, 2019			June 30, 2010		
	Number of Employees	Rank	Percentage of Total	Number of Employees	Rank	Percentage of Total
Trade, Transportation & Utilities	844,200	1	17.44%	743,900	1	17.37%
Educational & Health Services	840,300	2	17.36%	666,000	2	15.55%
Professional & Business Services	627,300	3	12.96%	516,200	4	12.05%
Government	603,900	4	12.48%	599,200	3	13.99%
Leisure & Hospitality	555,400	5	11.47%	389,800	5	9.10%
Manufacturing	344,400	6	7.11%	382,600	6	8.93%
Financial Activities	219,900	7	4.54%	211,600	7	4.94%
Information	210,100	8	4.34%	190,800	8	4.45%
Other Services	164,600	9	3.40%	138,500	9	3.23%
Construction	157,900	10	3.26%	104,500	10	2.44%
Sub-total Ten Largest Industries	4,568,000		94.36%	3,943,100		92.05%
All Other Industries	272,800		5.64%	340,300		7.95%
Total Industries	4,840,800		100.00%	4,283,400		100.00%

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

Source:
 County of Los Angeles Comprehensive Annual Financial Report for the year ended June 30, 2019:
<http://auditor.lacounty.gov/wp-content/uploads/2020/01/CAFR-FY-2018-2019.pdf>

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

Los Angeles County Children and Families First – Proposition 10 Commission
 Authorized Positions by Function
 2012 - 2020

Functional Area	Fiscal Year								
	2020 (9)	2019 (8)	2018 (7)	2017 (6)	2016 (5)	2015 (4)	2014 (3)	2013 (2)	2012 (1)
Executive	8	8	7	8	5	4.5	5.5	3	2
Administration	32	32	30	38	37.5	34.5	34	35	33
Programs	108	108	111	107	106	101.5	91.5	92	91
Total	148	148	148	153	148.5	140.5	131	130	126

Note:
 (1) Data are budgeted authorized positions approved as part of the fiscal year budget

Source:
 (1) First 5 LA Approved FY 2011-12 Operating Budget
 (2) First 5 LA Approved FY 2012-13 Operating Budget
 (3) First 5 LA Approved FY 2013-14 Operating Budget
 (4) First 5 LA Approved FY 2014-15 Operating Budget
 (5) First 5 LA Approved FY 2015-16 Operating Budget
 (6) First 5 LA Approved FY 2016-17 Operating Budget
 (7) First 5 LA Approved FY 2017-18 Operating Budget
 (8) First 5 LA Approved FY 2018-19 Operating Budget
 (9) First 5 LA Approved FY 2019-20 Operating Budget

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2020, 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 8, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
October 8, 2020

Independent Auditor’s Report on State Compliance

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

Compliance

We have audited the Los Angeles County Children and Families First – Proposition 10 Commission’s (Commission), a component unit of the County of Los Angeles, California, compliance with the requirements specified in the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller’s Office, applicable to the Commission’s statutory requirements identified below for the year ended June 30, 2020.

Management’s Responsibility

Management is responsible for compliance with the requirements of the laws and regulations applicable to the California Children and Families Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Commission’s compliance with the requirements referred to above based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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. Those standards and the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below. An audit includes examining, on a test basis, evidence about the Commission’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission’s compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission’s compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
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 Benefit Policies	2	Yes

Opinion

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, 2020.

Purpose of Report

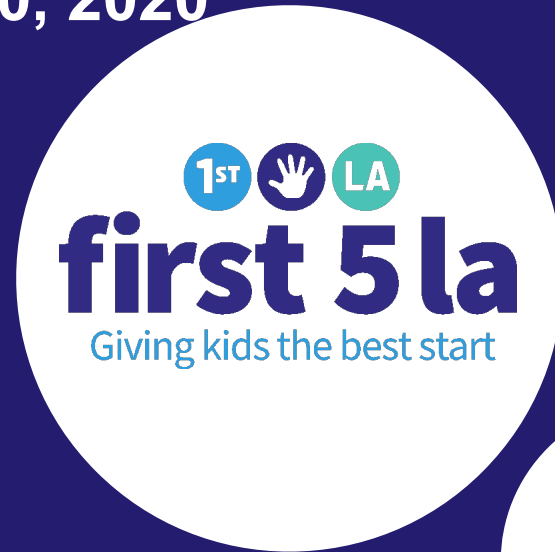
The purpose of this report on compliance is solely to describe the scope of our testing over compliance and the results of that testing based on the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California
October 8, 2020

Los Angeles County Children and Families First – Proposition 10 Commission Comprehensive Annual Financial Report for the Year Ended June 30, 2020

Special Meeting of the Board of
Commissioners
(Combined Meeting of the Budget &
Finance and Executive Committees)

Presented by: Faustino Genio
September 22, 2020



Presentation Overview

- Fiscal Year 2018-19 GFOA Award
- Comprehensive Annual Financial Report (CAFR) Overview and Journey
- Independent Auditor's Report
- Fiscal Year 2019- 20 highlights
- 3 Year Comparisons
- Next steps



Government Finance Officers Association Award

- CAFR for fiscal year 2018-19 was awarded a Certificate of Achievement for Excellence in Financial Reporting
- 12th Consecutive Year for this award

CAFR Overview

- Comprehensive Annual Financial Report
 - Detailed view of the Commission's financial position at a moment in time (June 30, 2020)
 - Activities and results of operations for the fiscal year 19-20
 - Presentation of the Commission's overall financial condition

CAFR Journey

- Audit process: June 2020 through October 2020
 - Entrance interview/planning – June 2020
 - Fieldwork – 6/22-6/26 & 8/17-8/28
 - Reporting – 8/27-10/8
- Committee Meetings
 - 9/22 - Budget & Finance and Executive Committees
 - 10/8 - Board of Commissioners' approval through consent



Independent Auditor's Report

- Clean audit:
 - The CPA firm of Eide Bailly LLP, noted that the financial statements are presented fairly
 - Unmodified opinion
 - No findings or adjustments

Budget Highlights

- June 2019: Board approved FY 2019-20 total budget of \$133.7 million:
 - Program Budget = \$110.9 million
 - Operating Budget = \$22.8 million
- The Board approved a revised budget in April 2020 of \$134.3 million:
 - Program Budget = \$111.5 million
 - Operating Budget = \$22.8 million

Revenue Highlights

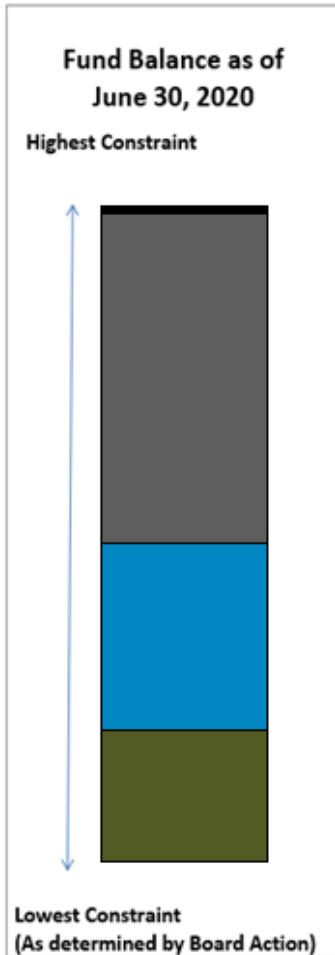
- Total revenue of \$88.5 million:
 - Tobacco tax = \$60.0 million
 - Prop. 56 backfill = \$18.1 million
 - Other revenues = \$10.4 million

(Other - IMPACT Program, Investment income, MAA Program & Rental income)

Expenditures Highlights

- Total expenditures of \$114.4 million:
 - Program expenditures = \$93.4 million
 - Program/Operating expenditures = \$7.8 million
 - Administrative expenditures = \$13.2 million

Fund Balance Categories



First 5 LA Fund Balances are 100% Dedicated through Board Action with the following Constraints:

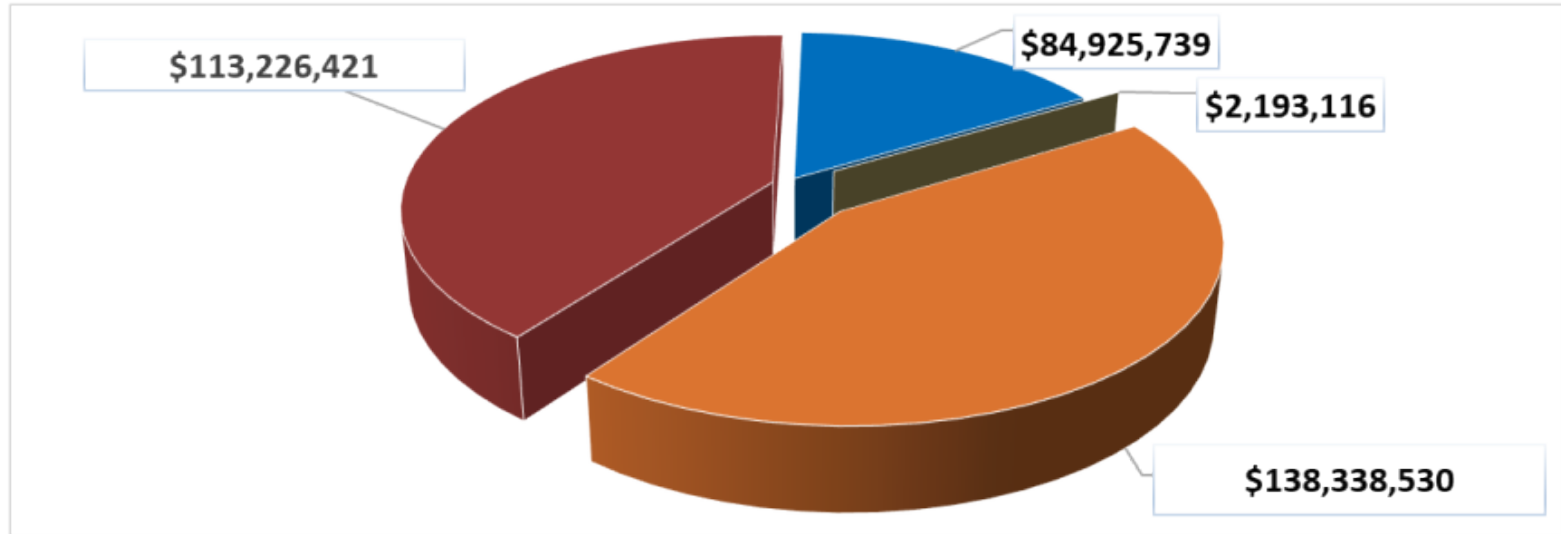
Level of Constraints:

- **Nonspendable (\$2,193,116):** Includes all levels of constraints below Funds that have been advanced to a contractor or grantee for services to be provided in the future and are considered to be an asset of the Commission. *Board Action through Contract Consent & Audit (Fund Balance)*
- **Committed (\$138,338,530):** Includes all levels of constraints below Funds allocated for a specified purpose and directed by the Commission via Resolution. The Commission must adopt another Resolution to reappropriate these funds for other purposes. *Board Action through the Budget & Audit (Fund Balance)*
- **Assigned (\$113,226,421):** Includes the constraint below. Funds are reserved for Commission use consistent with the 2015-2020 Strategic Plan. *Board Approved through Audit (Fund Balance)*
- **Unassigned (\$84,925,739):** Funds designated for the Operating Budget and Reserve. *Board Approved through Audit (Fund Balance)*

85 **Total Fund Balance as of June 30, 2020 = \$338,683,806**

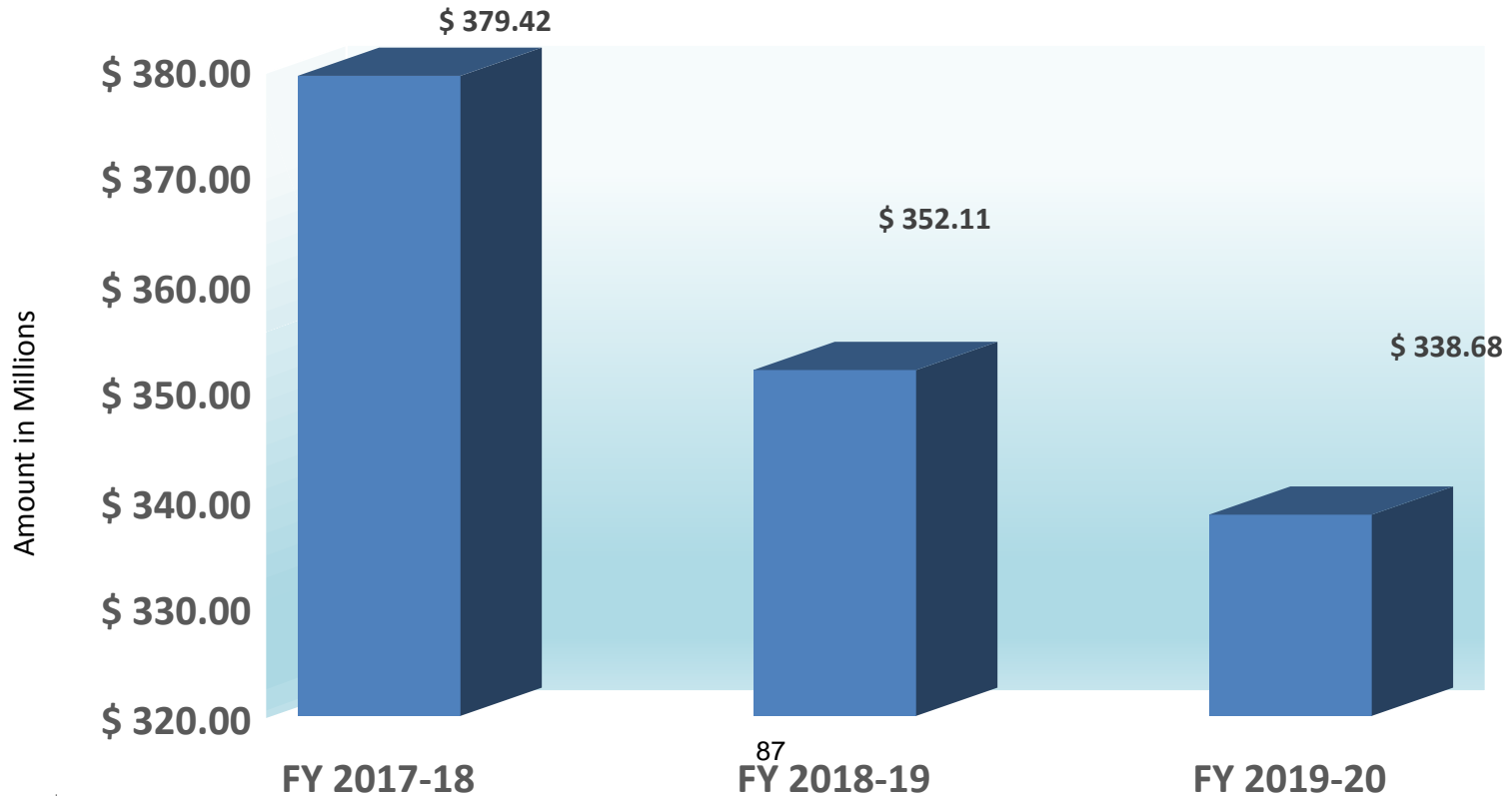
Fund Balance

Total Fund Balance: \$338,683,806

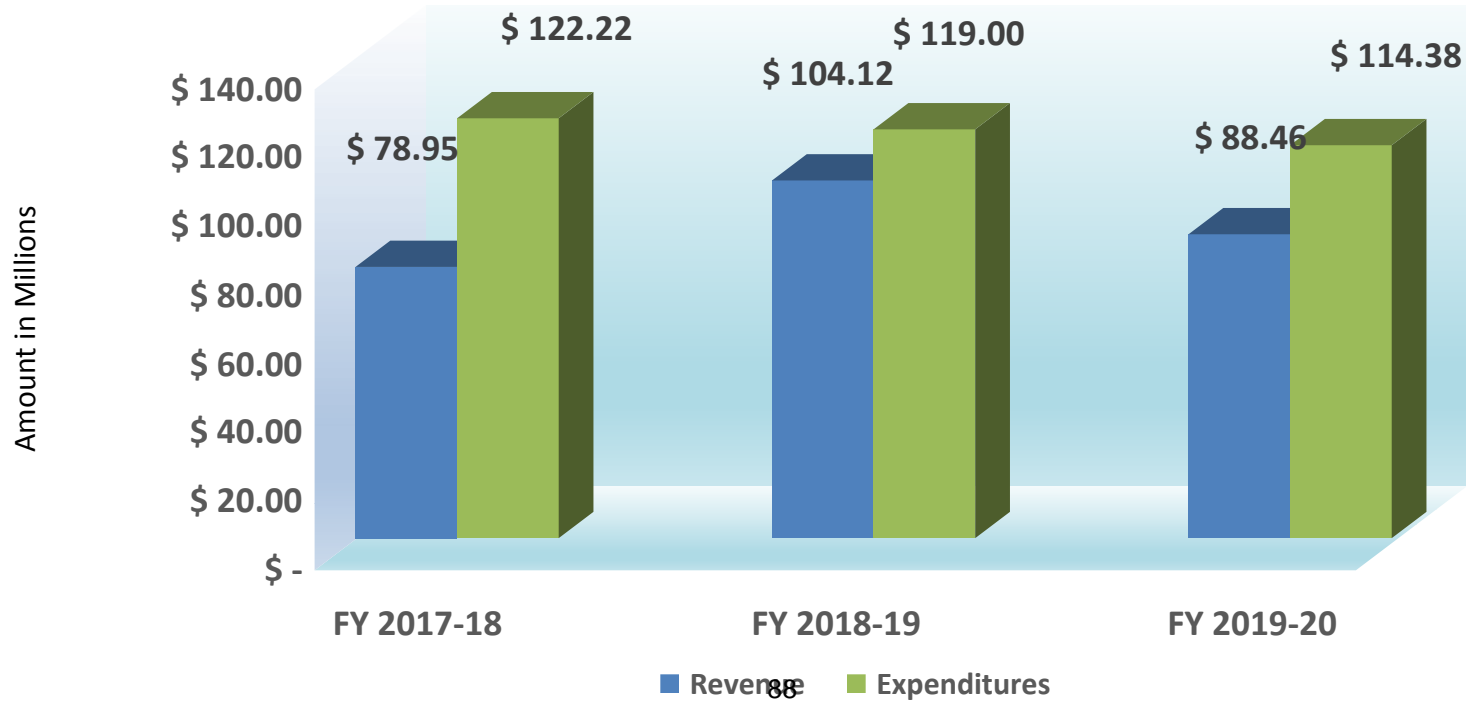


■ Nonspendable ■ Committed ■ Assigned ■ Unassigned

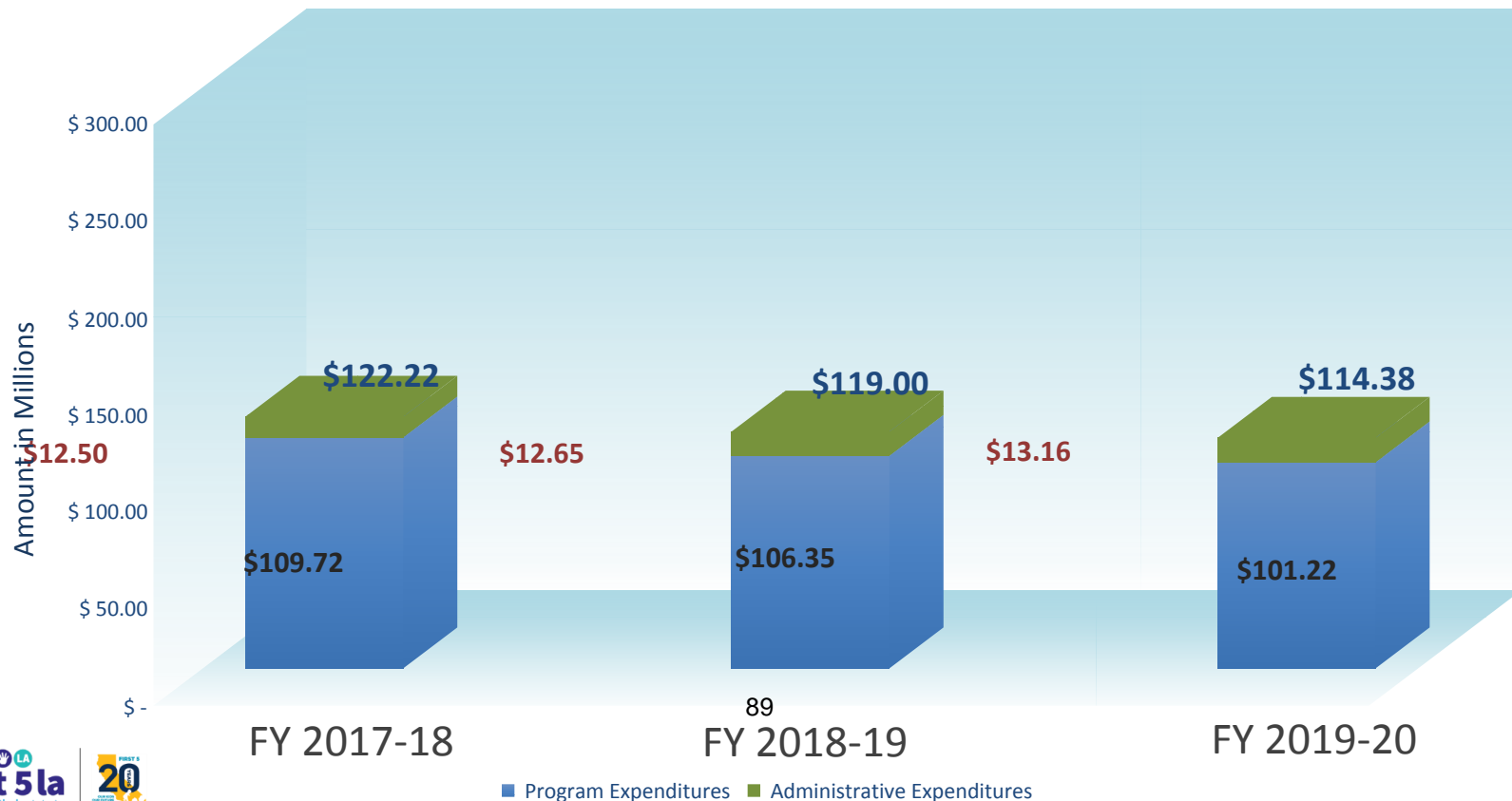
3 – Year Comparison: Fund Balance



3 – Year Comparison: Revenue vs. Expenditure



3 – Year Comparison: Program and Administrative Expenditures



Audit Partner Overview

- Kinnaly Soukhaseum, partner, Eide Bailly, LLP

Next Steps

- 10/8 - Board of Commissioners – for approval through consent
- Submission of the CAFR by 11/1:
 - State Controller's Office
 - First 5 California
- Update the Long Term Financial Plan (LTFP)

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Questions?



FIRST 5 LA

SUBJECT:

2019-2020 Annual Report to First 5 California (State Commission)

RECOMMENDATION:

This memo is provided as preliminary information for the Board's consideration at the September 22, 2020, Special Meeting of the Board of Commissioners (Joint Committee Meeting of the Executive and Budget & Finance Committees). First 5 LA recommends that at the next Commission Meeting on October 8, 2020, the Board approve the final Annual Report for submission to the State Commission.

BACKGROUND:

Each year staff prepares a report to the State Commission that provides fiscal and programmatic information in the format of a State Commission-designated template. This request will be presented as an information item at the September 24, 2020, Executive Committee meeting (per the Bylaws) and will be brought for action on consent at the October 8, 2020, Meeting of the Board of Commissioners.

DISCUSSION:

This fiscal year's preliminary data maintains an increasing number of systems change investments as we continue to transition into a more systems-focused organization. Some key findings include the following:

- a decrease in number of children, families, and providers reached by 70%,
- Asian/Pacific Islander and Multiracial children were underrepresented given the population makeup,
- improved Child Health was our largest investment area in terms of numbers reached, and
- 10% more children and families identified as Spanish-speaking this year compared to last.

Staff will be seeking approval of the First 5 LA Annual Report for Fiscal Year 2019-2020 (July 1, 2019 – June 30, 2020), which is due to First 5 California by October 30, 2020. First 5 LA staff will submit the entire report via the web-based forms provided by the State Commission. The current report reflects programmatic data but will be updated with expenditure data once available.

As part of the data submission requirement, staff must map First 5 LA programmatic efforts to investment areas defined by First 5 California. It is important to note that the First 5 California investment areas do not align with the strategies outlined in our current strategic plan, and therefore provide an additional perspective than our typical approach to telling First 5 LA's story.

The report sections outlined below reflect the categories and format required by First 5 California:

- Section 1: Revenue and Expenditure Summary
 - This section captures First 5 LA's fiscal data showing the relationship between financial resources and services.
- Section 2: Demographic Worksheet
 - This section captures demographic information about the populations served by First 5 LA at the county level.
- Section 3: Evaluation Summary/County Highlights
 - This section provides information about completed evaluations focused on improved family functioning, child development, child health, and systems of care. County

highlights describing accomplishments during the fiscal year are also reported in this section.

First 5 LA Annual Report to the State

2019-20

Holli Kyle

September 22, 2020



Background

Purpose:

- 1) Summarize the number of children, families, and providers reached through our investments
- 2) Elevate policy and systems change work
- 3) Highlight accomplishments/challenges/learnings

The report consists of the following sections:

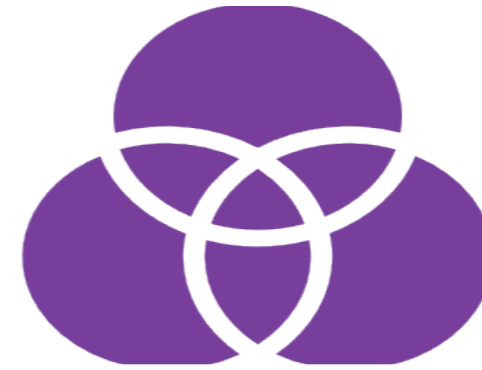
- Section 1: Revenue and Expenditure Summary
- Section 2: Demographic Worksheet
- Section 3: Evaluation Summary

Investment Categories



Child Health

- Prenatal & Home Visiting efforts
- Early Intervention
- General Health Education & Promotion



Systems of Care

- Program and Systems Improvement Efforts
- Policy & Public Advocacy



Family Functioning

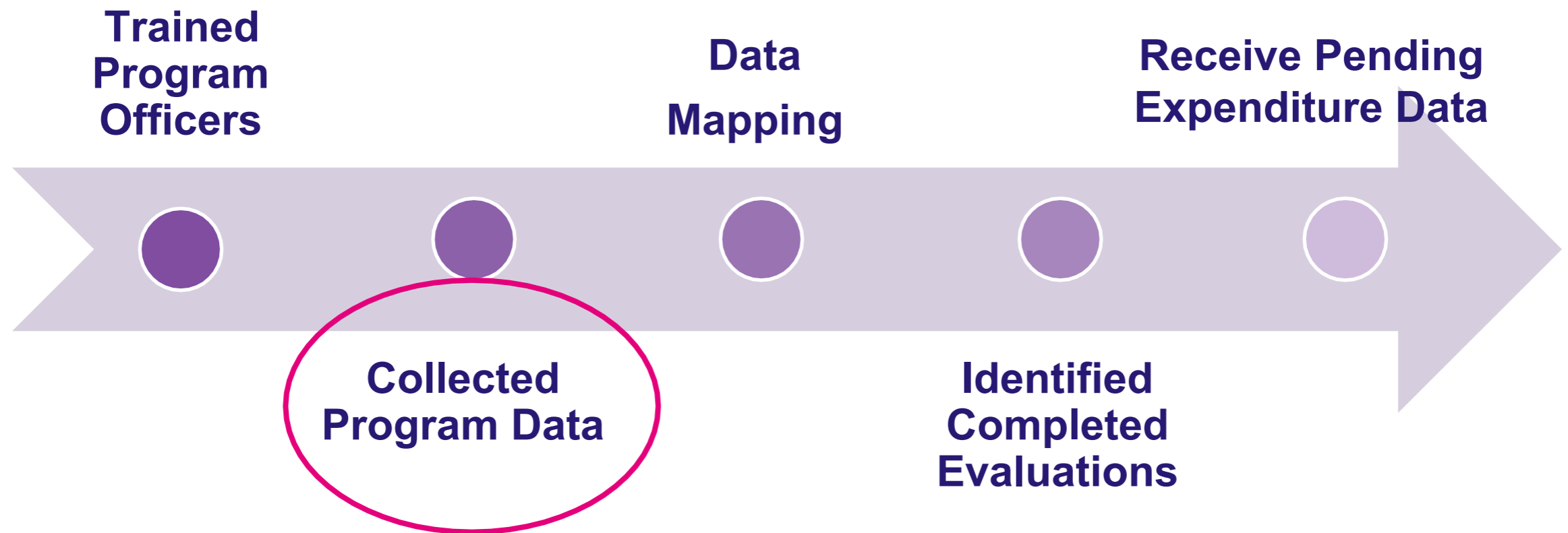
- General Family Support



Child Development

- Quality Early Learning Supports

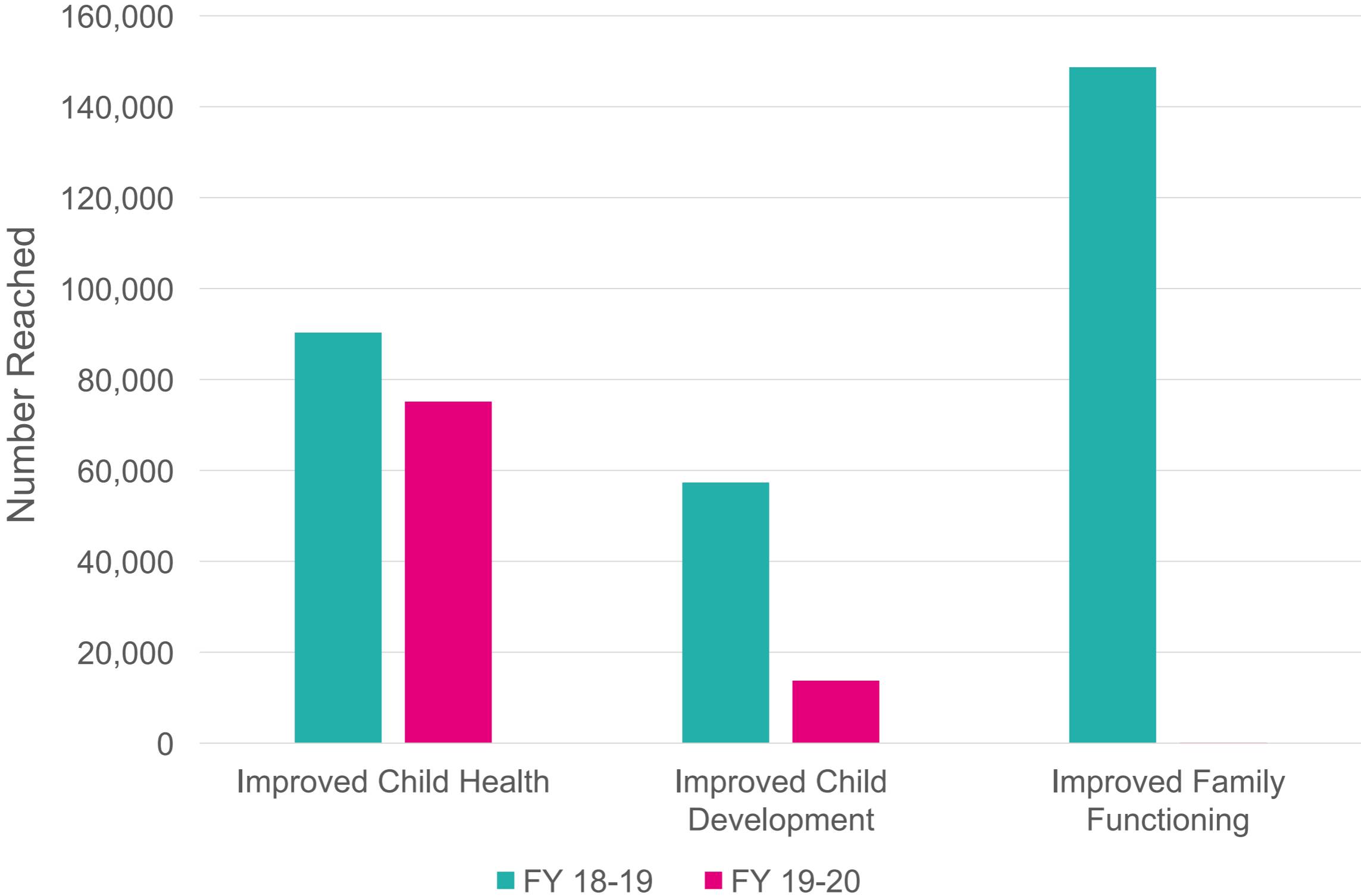
State Annual Report Process



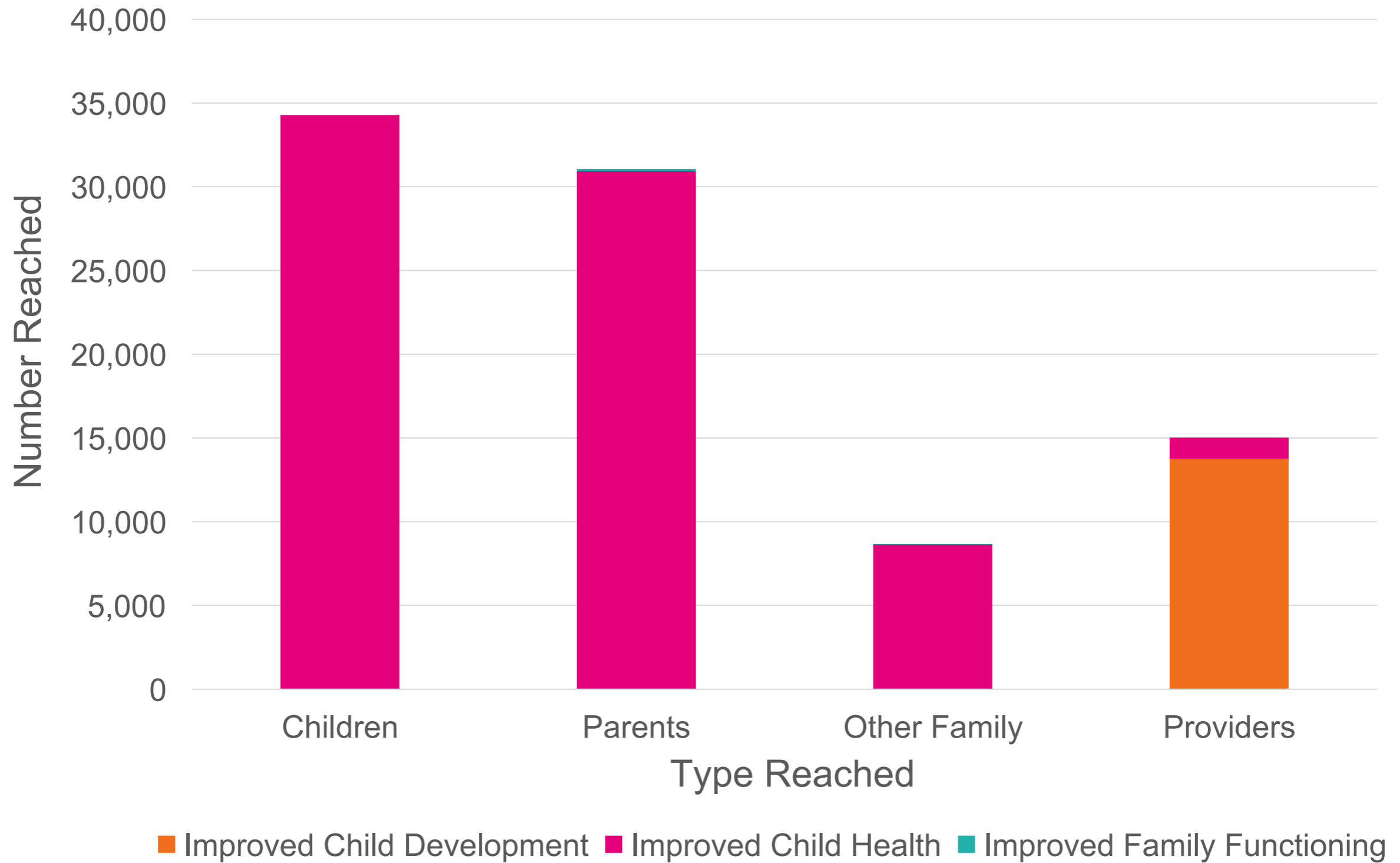
Data Overview



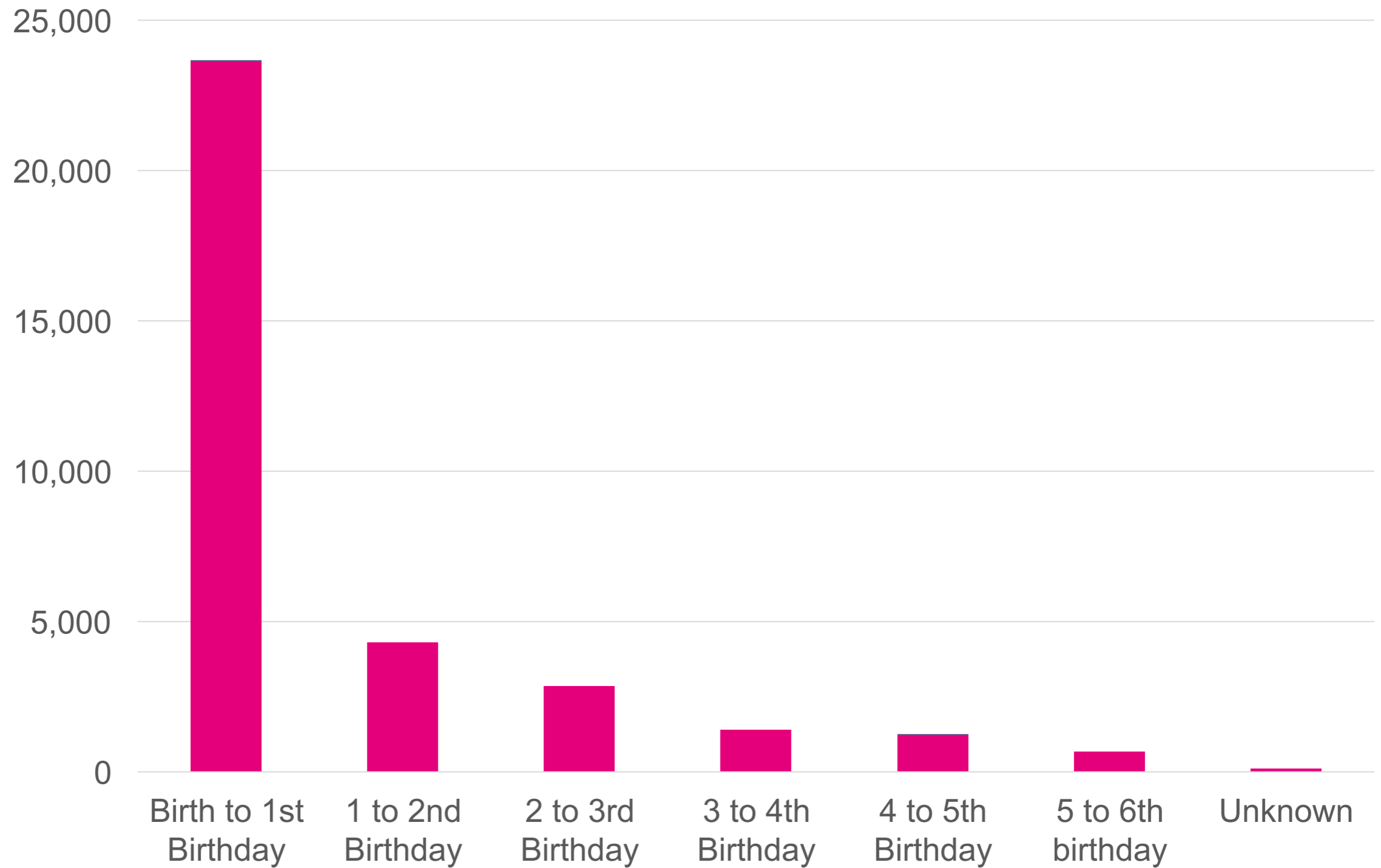
We reached 88,981 children, families, and providers.



Children and Parents were the largest groups reached via our Child Health investments.



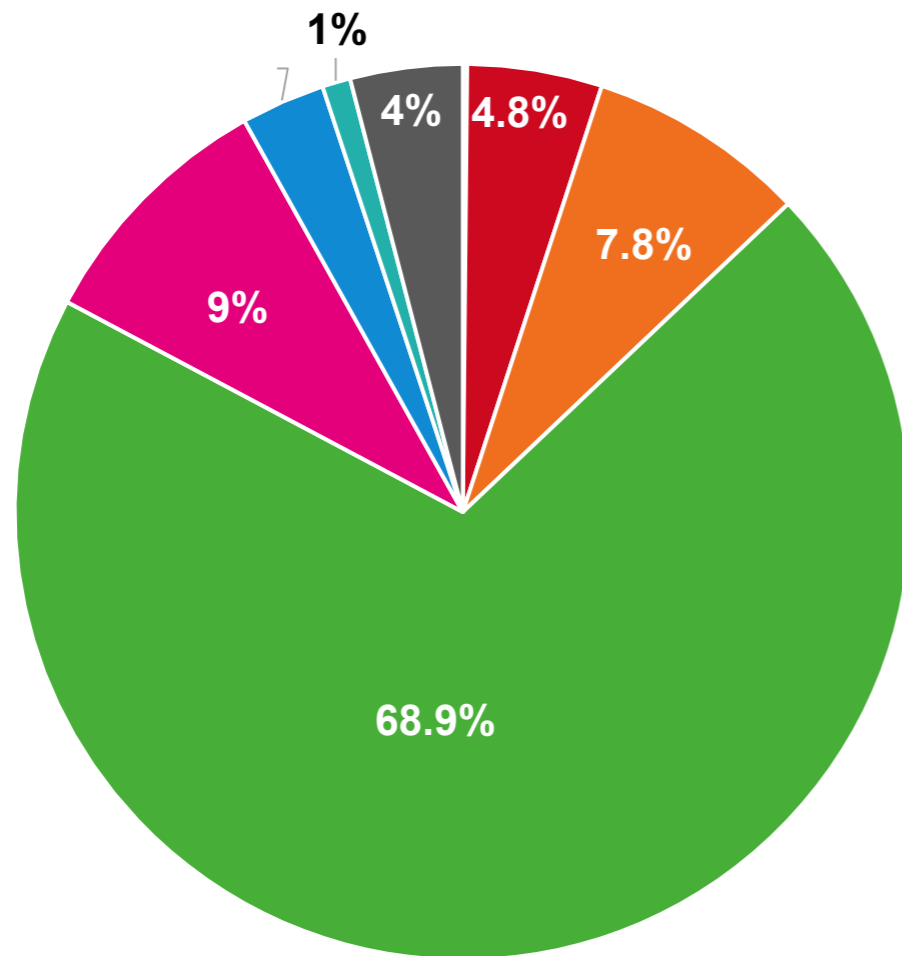
Of children 0-5 years, children birth to 1 year old were the majority reached through our Child Health investments.



Latino/Hispanic children were overrepresented among those reached by First 5 LA's investments.

First 5 LA

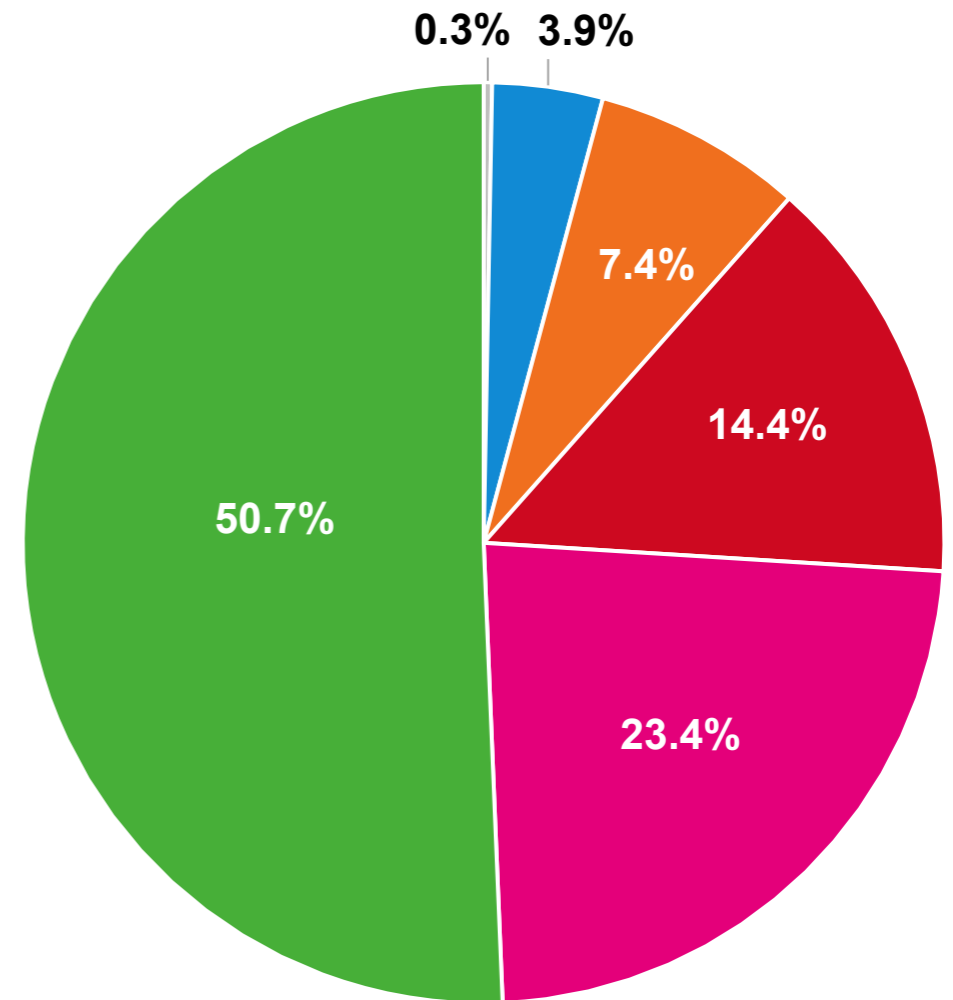
Percent of Children 0-5 years Reached by Race/Ethnicity, FY 2019-20



- American Indian/ Alaskan Native
- Asian/Pacific Islander
- Black/ African American
- Latino/ Hispanic
- White
- Multiracial

L.A. County

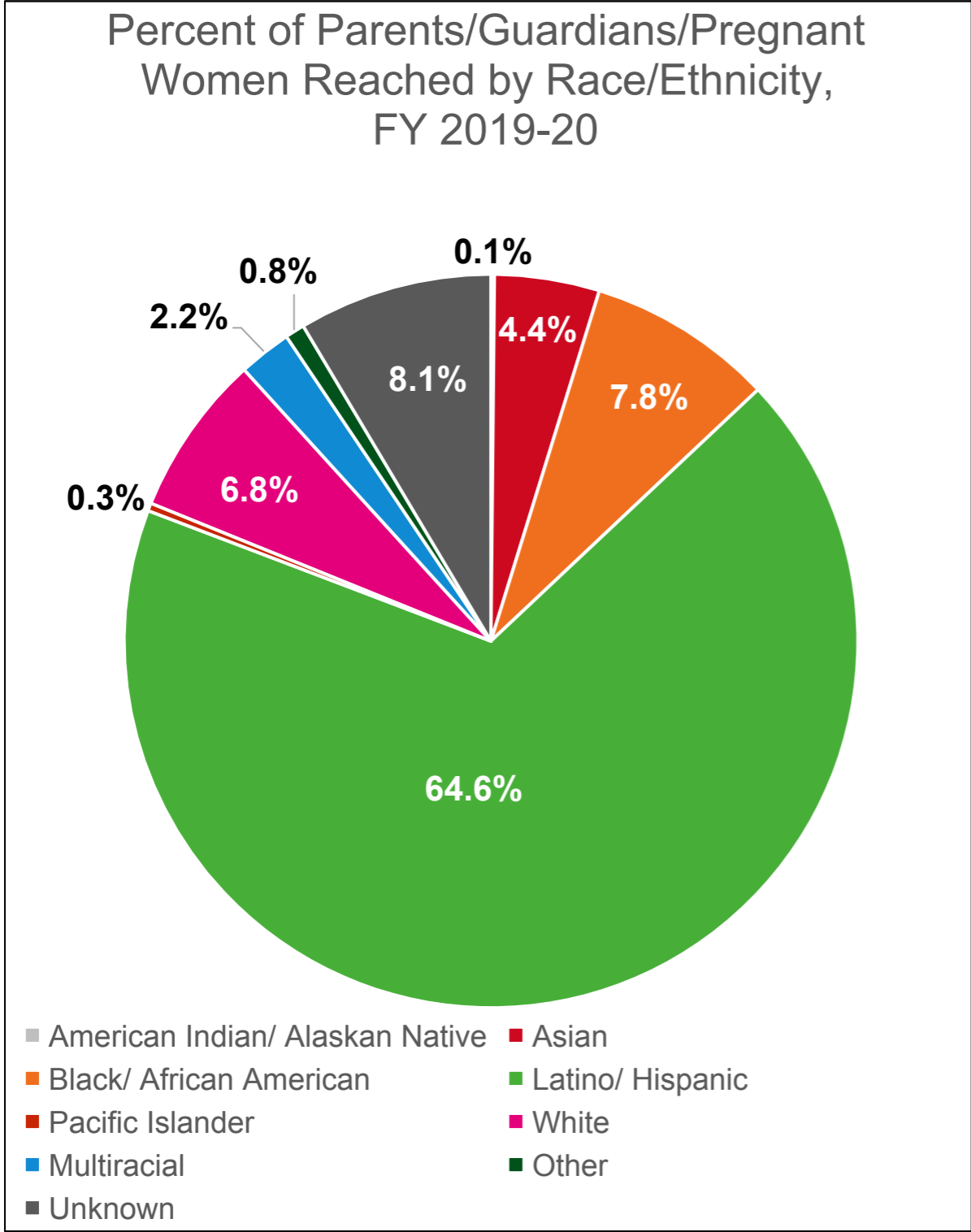
Percent of Children 0-5 years by Race/Ethnicity, 2019



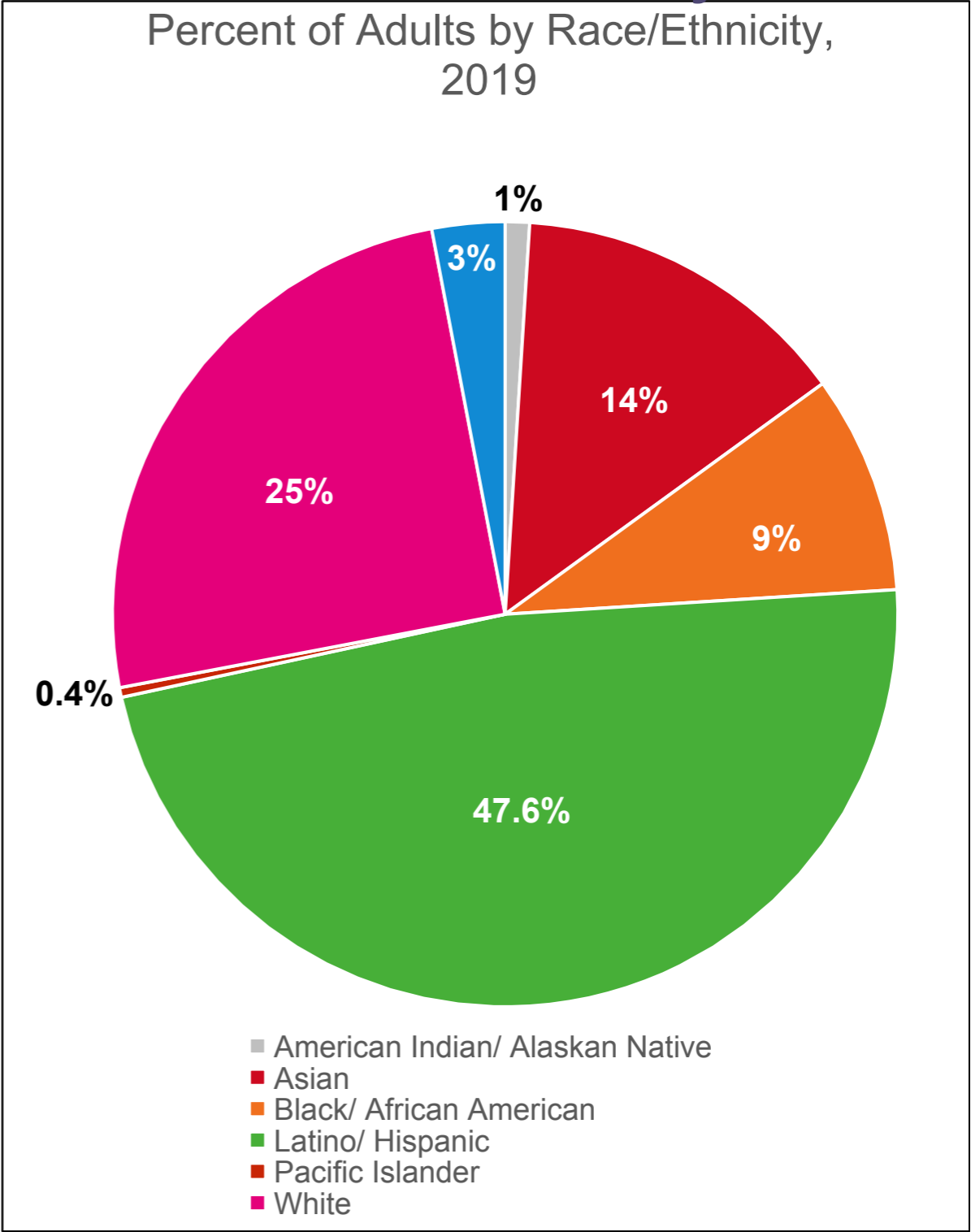
- Native American
- Black/African American
- White
- Multiracial
- Asian/Pacific Islander
- Latino/Hispanic

Black, Asian/Pacific Islander, & White parents were under-represented among those reached by First 5 LA's investments.

First 5 LA

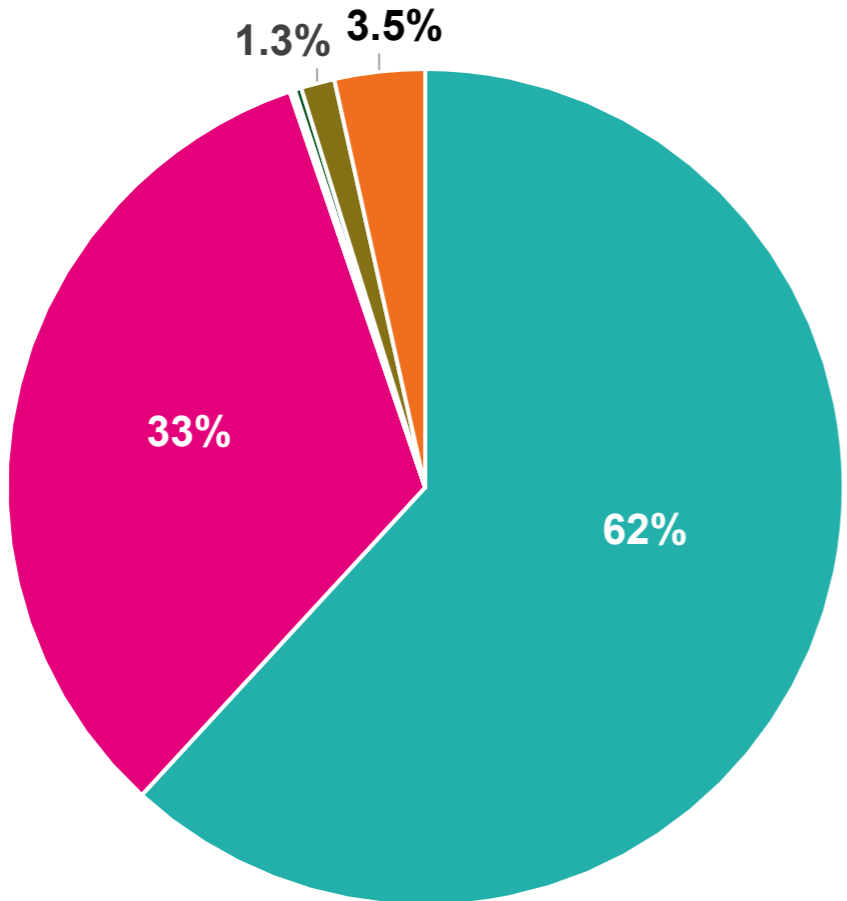


L.A. County



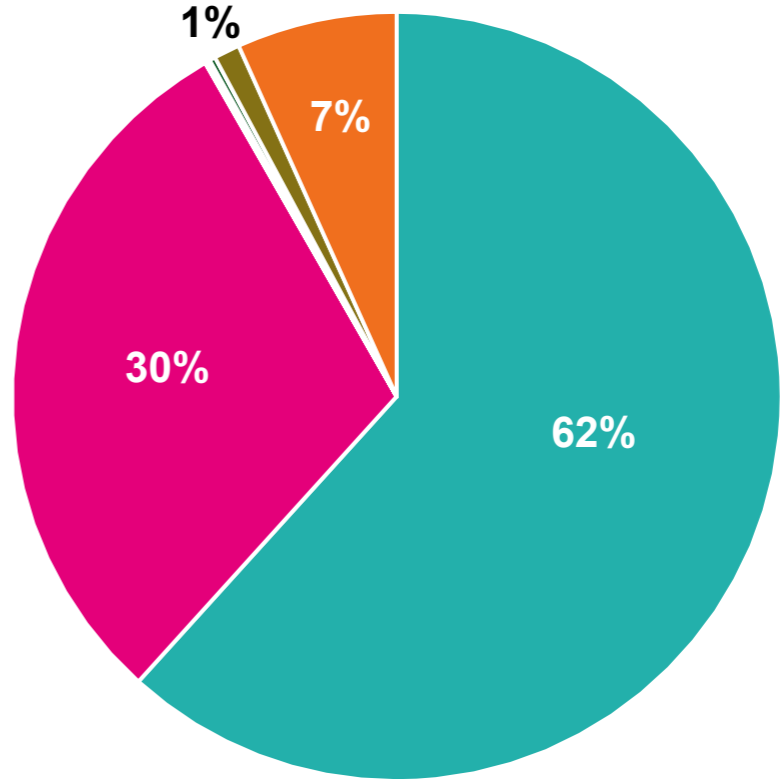
English and Spanish are the primary languages of children and families reached.

Percent of Children Reached, by Primary Language Spoken



- English Spanish Cantonese Mandarin
- Vietnamese Korean Hmong Tagalog
- Other Unknown

Percent of Parents/Guardians/Pregnant Women Reached, by Primary Language Spoken



- English Spanish Cantonese Mandarin
- Vietnamese Korean Hmong Tagalog
- Other Unknown

2019-20 Revenue and Expenditures

Coming Soon...

High-Level Observations

- First LA's 2020-2028 Strategic Plan and direction is anchored in systems change, not direct services.
 - Numbers reached have decreased by 70% due to the sunsetting of direct service investments.
- First 5 California's annual report requires Counties to report data that is principally organized around direct services.
 - This provides a partial story of First 5 LA's contributions to county-wide systems and services, which is the product of both direct service investments and systems-focused activities.

Next Steps

- Finalize revenue/expenditure data based on completed audit
- Present at September PPC Meeting September 24, 2020
- Receive approval at October's First 5 LA Board of Commissioners Meeting
- Submit final data to First 5 CA by October 30, 2020