AGENDA

SPECIAL JOINT MEETING OF THE BOARD OF COMMISSIONERS AND PROGRAM & PLANNING COMMITTEE
Chair: Summer McBride

Thursday, September 24, 2026
1:30 PM – 4:30 PM

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

1. **ACTION**
   Call to Order/Roll Call
2. **INFORMATION**
   SB 707 Request(s) to Participate Remotely Due to Emergency Circumstances and Notice(s) of Remote Participation for Just Cause
3. **INFORMATION**
   President & CEO Remarks
4. **INFORMATION**
   Annual Comprehensive Financial Report for the Year Ended June 30, 2026

   Presenters: JR Nino, Vice President of Operations & Sustainability; Raoul Ortega, Director of Finance; Raj Kumar, Accounting Manager; Roger Alfaro, Partner, Eide Baille, LLP
5. **INFORMATION**
   Home Visiting: Learnings and Long Term Vision

   NOTE: There will be a break halfway through this item.

Presenters: Aurea Montes-Rodriguez, VP of Community Engagement and Policy and Diana Careaga, Director of Family Supports

6. **INFORMATION**
Review of First 5 LA Annual Report to First 5 CA (Written Only)

7. **INFORMATION**
Establish a Strategic Partnership with Public Health Foundation Enterprises, Inc. Dba Heluna Health in the Amount of $509,300 Through June 30, 2028, to serve as new intermediary for First 5 LA's ongoing investment in the African American Infant and Maternal Mortality Prevention Initiative Community Action Teams (AAIMM CATs) (Written Only)

Presenters: Aurea Montes-Rodriguez, VP of Community Engagement and Policy and Ellen Paddock, Program Officer

8. **INFORMATION**
Public Comment (for items not on the agenda)

9. **ACTION**
Adjournment

Annual Comprehensive Financial Report
For the Year Ended June 30, 2026

Los Angeles County Children and Families First – Proposition 10 Commission

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

Prepared by the Finance Department

Compliance Section

first 5 la
Giving kids the best start

October 13, 2026

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

Dear Commissioners and Citizens of County of Los Angeles:

The Annual Comprehensive Financial Report of the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) for the year ending June 30, 2026, is hereby submitted, as mandated by applicable statutes. These statutes require First 5 LA to annually issue a report of its financial position and activity.

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

Eide Bailly LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on First 5 LA's financial statements for the year ending June 30, 2026. The independent auditor's report is located at the beginning of the financial section of this report. Management also provides a narrative introduction, overview, and analysis of the basic financial statements in the form of the Management's Discussion and Analysis (MD&A).

PROFILE OF THE COMMISSION

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

Over the last 26 years, First 5 LA has made a lasting positive impact in Los Angeles County through its allocation of more than $2.5 billion to advocate for children and their families, amplify community voice and partner for collective impact so that every child in Los Angeles County reaches their full developmental potential throughout the critical years of prenatal to age 5.

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

STRATEGIC DIRECTION

First 5 LA has evolved from primarily funding direct services to partnering across systems and communities to drive system change and improve outcomes for young children and families. In FY 2023–24, the Board of Commissioners approved the 2024–2029 Strategic Plan.

The 2024–2029 Strategic Plan outlines three goals each with measurable objectives that focus on ensuring children's needs are met across a continuum of basic (physiological and safety), psychological (esteem and love and belonging) and self-fulfillment (self-actualization) needs:

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

To translate the goals and objectives of the 2024-2029 Strategic Plan into meaningful action for children age 5 and younger across L.A. County, the work will be organized through the lens of four key initiatives:

- Prevention First: Centering Community Strengths to address root causes and keep families thriving together.
- Vibrant Environments: Ensuring access to healthy foods and welcoming outdoor spaces for play.
- Maternal & Child Well-Being: Ensuring holistic care for mothers and children age 5 and younger.
- Whole-Child, Bright Futures: Universal quality early care and education that meets every family's needs.

To drive each initiative forward, a combination of the following ten tactics will be used to create the targeted impact needed to ensure every child can thrive in partnership with the community:

1. Advocacy
2. Access
3. Capacity Building
4. Communications
5. Coordination
6. Curriculum Innovation in Early Education Instruction
7. Data
8. Engagement
9. Research
10. Workforce

This overall strategic approach reflects First 5 LA's vision of a future where every child is born healthy and thrives in a nurturing, safe and loving community.

ORGANIZATIONAL HIGHLIGHTS

First 5 LA's primary funding source—Proposition 10 Tobacco Tax revenue—continues to decline due to reduced smoking rates and birthrates in Los Angeles County. The passage of Proposition 31 in November 2022 banned the sale of flavored tobacco products. Although revenue for the fiscal year 2025–26 actually increased by 1.5% for the Proposition 10 tobacco tax, a shifting landscape at the local, state, and federal levels continues to present ongoing risks and uncertainties.

In response, First 5 LA remains steadfast in implementing its 2024–2029 Strategic Plan, aligning resources to support its priorities, and sustaining its work through a multi-year financial plan to benefit children and families across Los Angeles County.

- ***Implementation of the 2024-2029 Strategic Plan***. First 5 LA is making significant progress in implementing the 2024-2029 Strategic Plan, approved by the Commission in November 2023. As a trusted thought partner, convener, connector, and advocate, First 5 LA is advancing the Strategic Plan goals and objectives through its four initiatives, utilizing the ten tactics which will guide First LA's work throughout the strategic plan period. First 5 LA has structured an implementation planning process with teams of staff to build plans that utilize the tactics to move the initiatives forward into meaningful action.

- ***Fiscal Year 2026-27 Budget.*** The FY 2026–27 Budget comes at a pivotal moment for First 5 LA and the communities we serve. As the external landscape continues to evolve, we remain steadfast in our mission to ensure every child has the opportunity to thrive, while also recognizing the need to build resilience, strengthen partnerships, and focus our efforts where we can have the greatest impact for L.A. County's youngest children and their families. This budget remains focused and flexible. As we align the budget with the Board-approved Long-Term Financial Plan (LTFP), we are advancing investment strategies that balance long-term sustainability with the ability to remain responsive to what lies ahead. Although program expenditures have been reduced, these downward adjustments are accompanied by supplemental funding through enhanced partnerships with a Medi-Cal managed care plan and the Los Angeles County Department of Mental Health.

  Our approach will continue to advance our Strategic Plan 2024–2029 — building on prior investments, advancing innovation, and deepening engagement with community partners. At the same time, we are operating in an increasingly complex environment shaped by fiscal uncertainty and shifting federal and state policies. While these pressures are expected to persist into FY 2026–27, they also present an opportunity to align our efforts more intentionally and strengthen our collective response on behalf of children and families. By working together with our partners and communities, we can navigate this period of uncertainty and continue advancing meaningful progress toward a brighter future for every child in Los Angeles County.

- ***Long term financial planning.*** On October 10, 2024, the Board of Commissioners approved a 12-year LTFP that aligns with the 2024–2029 Strategic Plan and sets spending limits through FY 2034–35. These limits are based on current resources and projected fund balances with an eventual stabilized annual budget of $60 million beginning in FY 2027–28. This plan's financial trajectory ensures the sustainability of First 5 LA's work and enables continued investment in partners serving communities across Los Angeles County. The LTFP is updated annually to capture audited actuals, mid-year revised budgets, and additional external revenues resulting in a change to the projected available fund balance at fiscal year-end 2034-35.

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

Although not required to adopt a budget before each fiscal year pursuant to the First 5 Association Financial Management Guide, the First 5 LA Commission has historically done so to ensure controlled spending. Any increase to previously adopted appropriations during the fiscal year requires Commission approval. The President & CEO has the authority to adjust the operating budget in an amount not to exceed $25,000, and any adjustments to the adopted fiscal year budget for programs must be approved by the Commission. Monthly financial updates are also provided to the Board of Commissioners. The Commission has not adopted or revised any financial policies that may have a significant impact on the current period's financial statements.

First 5 LA's budgeting approach continues to evolve, informed by experience, with a focus on precision, transparency, and strategic alignment. The FY 2026–27 Budget reinforces fiscal responsibility by aligning spending estimates with projected resources and priorities.

CERTIFICATE OF ACHIEVEMENT

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to First 5 LA for its annual comprehensive financial report for the fiscal year ended June 30, 2025. This was the 18th consecutive year that First 5 LA has achieved this prestigious award. To be awarded a Certificate of Achievement, First 5 LA must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. First 5 LA believes that its current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and First 5 LA is submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

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

Sincerely,

Karla Pleitéz Howell

Karla Pleitéz Howell
President & CEO

FIRST 5 LA

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

Ex-Officio Commissioners
Robert Byrd, Psy.D.
Deanne Tilton Durfee
Jacquelyn McCroskey, DSW
Justin Blakely

Alternate Commissioners
Priya Batra
Luis Bautista
Victor Manalo, Ph.D.
Lisa Fleisher-Whitecrow
Kristin McGuire
Sylvia S. Swilley, M.D.
Kanchana Tate, LCSW
Julie Taren
Winnie Wechsler

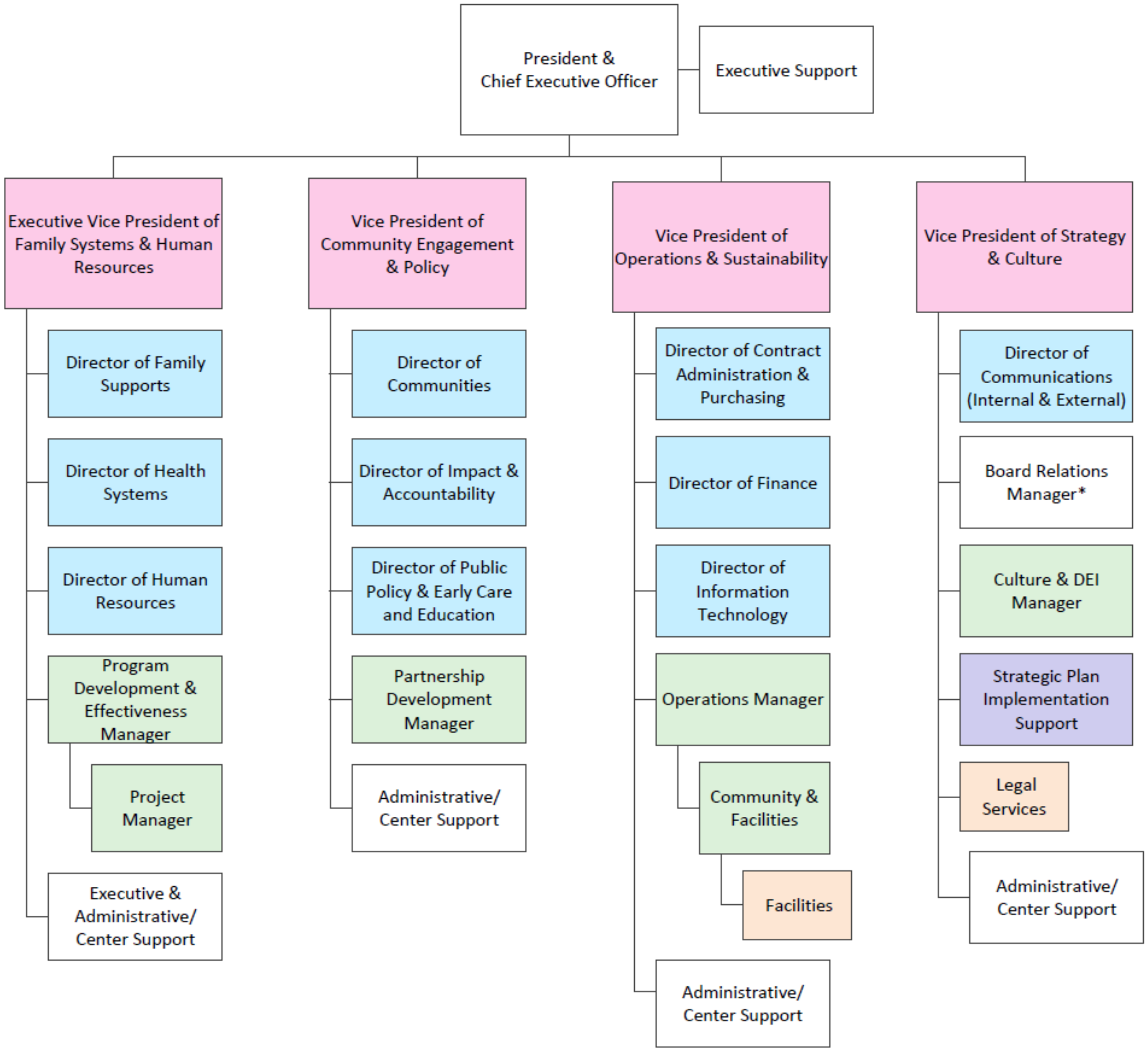
President & CEO
Karla Pleitéz Howell, J.D.

Vice President
Aurea Montes-Rodriguez
Teofilo “JR” Nino

Team/Department Directors
Joaquin Calderon, Communities
Diana Careaga, Family Supports
Galina Collins, Human Resources & Talent Management
Jennifer L. Eckhart, Contract Administration & Purchasing
Tara Ficek, Health Systems
Jasmine Frost, Information Technology
Kim Hall, Impact & Accountability
Ofelia Medina, Public Policy & Early Care and Education
Raoul Ortega, Finance

Organization Structure

First 5 LA



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

First 5 LA
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

and issued to the public 101 days after the fiscal year end

Christopher P. Morrill
Executive Director/CEO

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission, as of June 30, 2026, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of First 5 California Funding is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of First 5 California Funding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated [DATE], 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.

Ontario, California
[DATE]

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

This Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Los Angeles County Children and Families First – Proposition 10 Commission (the "Commission") for the fiscal year ended June 30, 2026. It should be read in conjunction with the Commission's basic financial statements and accompanying notes.

1) <u>Overview of the Financial Statements</u>

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

<u>Government-wide Financial Statements</u>

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

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

The Statement of Activities presents information showing how the Commission's net position changed during the fiscal year. All changes in net positions are recognized when the underlying events occur, regardless of the timing of related cash flows.

<u>Fund Financial Statements</u>

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 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. 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.

2) Financial Summary

		FY 2025-26	FY 2024-25	Percent Increase (Decrease)	Increase (Decrease)
Assets:					
	Current and other assets	$270,417,417	$273,989,205	-1.30%	($3,571,788)
	Capital assets	14,557,213	13,387,541	8.74%	1,169,672
	Total assets	**$284,974,630**	**$287,376,746**	**-0.84%**	**($2,402,116)**
Liabilities					
	Long-term liabilities	$1,529,557	$1,984,149	-22.91%	($454,592)
	Other liabilities	9,282,465	11,886,461	-21.91%	(2,603,996)
	Total liabilities	**$10,812,022**	**$13,870,610**	**-22.05%**	**($3,058,588)**
Deferred inflows of resources		$3,229,992	$0	100.00%	$3,229,992
Net Position:					
	Unrestricted	$256,375,403	$260,118,595	-1.44%	($3,743,192)
	Investment in capital assets	14,557,213	13,387,541	8.74%	1,169,672
	Total net position	**$270,932,616**	**$273,506,136**	**-0.94%**	**($2,573,520)**
	Total liabilities and net position	**$284,974,630**	**$287,376,746**	**-0.84%**	**($2,402,116)**

Government-wide Financial Statements Analysis

The following is a summary of the Commission's assets, liabilities and net position comparing FY 2025-26 with FY 2024-25:

The Commission's FY 2025–26 total assets of $285 million represent a decrease of $2.4 million a 0.84% decline, compared to the prior year. Of this total, the decrease in current and other assets accounts for approximately $3.6 million. A key factor contributing to this reduction is that total expenses, including program expenses such as provider grants and contractors, exceeded total revenue by $2.6 million. This deficit was anticipated and aligns directly with projections under the Long-Term Financial Plan, driven largely by the ramp-down and closure of several programs, such as *Welcome Baby* and *SHV*, in 2025–26. Additionally, total liabilities decreased by $3.0 million (22%). This was driven by a significant reduction in current accounts payable accruals compared to the previous year, which was also anticipated due to program closures.

The $1,169,672 net increase in capital assets is a result of the organization's completion of Phase 2 of its Capital Improvement Project to provide additional physical improvements to the 750 N. Alameda Street building, which has now concluded as of the end of FY 2025-26. The depreciation expense for FY 2025-26 was $434,163. 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 2025-26 with FY 2024-25:

	FY 2025-26	FY 2024-25	Percent Increase (Decrease)	Increase (Decrease)
Revenues:				
Program revenues				
Tobacco taxes	$33,681,601	$33,182,663	1.50%	$498,938
Proposition 56	12,588,020	14,494,959	-13.16%	(1,906,939)
CA Electronic Cigarette Excise Tax	443,390	804,762	-44.90%	(361,372)
State Commission Program Funds	2,440,789	4,423,787	-44.83%	(1,982,998)
Local Entity Program Funding	4,571,103	4,377,831	4.41%	193,272
Total program revenues	**$53,724,903**	**$57,284,002**	**-6.21%**	**($3,559,099)**
General revenues				
Investment income	$9,094,097	$11,157,945	-18.50%	($2,063,848)
Net increase in fair value of investments	977,040	(921,348)	206.04%	1,898,388
Other General Revenues-Rental Income	301,466	0	100.00%	301,466
Other general income	0	2,239	-100.00%	(2,239)
Total general revenues	**10,372,603**	**10,238,836**	**1.31%**	**133,767**
Total revenues	**$64,097,506**	**$67,522,838**	**-5.07%**	**($3,425,332)**
Expenses:				
Provider grants and other allocations	$51,811,096	$64,466,252	-19.63%	($12,655,156)
Salaries and benefits	11,937,869	14,033,321	-14.93%	(2,095,452)
Operating services	1,143,874	1,200,732	-4.74%	(56,858)
Consultant services	1,004,263	790,004	27.12%	214,259
Professional services	238,102	365,522	-34.86%	(127,420)
Professional development	51,514	80,350	-35.89%	(28,836)
Other expenses	50,145	61,691	-18.72%	(11,546)
Depreciation	434,163	451,523	-3.84%	(17,360)
Total expenses	**$66,671,026**	**$81,449,395**	**-18.14%**	**($14,778,369)**
Change in net position:	(2,573,520)	(13,926,557)	81.52%	11,353,037
Net position – beginning, as previously reported	273,506,136	287,723,015	-4.94%	(14,216,879)
Adjustments		(290,322)		290,322
Net position – beginning, as restated		287,432,693		(287,432,693)
Net position – ending	**$270,932,616**	**$273,506,136**	**-0.94%**	**($2,573,520)**

3) <u>Detailed Analyses:</u>

<u>Revenues</u>

The Commission received a total of roughly $64.1 million in revenues for FY 2025-26, reflecting a decrease of $3.4 million, or 5.1% compared with the prior year's total revenues of $67.5 million. The overall changes in revenue are due to the following:

<u>Tobacco Tax</u>
Tobacco tax revenue increased slightly from $33.2 million in FY 2024-25 to $33.7 million in FY 2025-26, an increase of roughly $0.5 million, or 1.5%. Overall revenue declines have temporarily leveled off after significant decreases in overall tobacco sales since the enactment of Proposition 31 (SB 793) in November 2022, which prohibits in-person stores and vending machines from selling flavored tobacco products or tobacco product flavor enhancers.

Proposition 56

Proposition 56 backfill (or "hold harmless") amounts are calculated in arrears, which considered in FY 2016-17 actual revenue loss was attributable to Proposition 56. The backfill amount decreased in FY 2025-26 to $12.6 million compared to $14.5 million in the prior fiscal year, a decrease of $1.9 million or 13.2%. The basic reason is that there is a shift in consumer behavior away from traditional taxable cigarettes towards alternatives, which are also more expensive. The backfill is received the following fiscal year and the actual amount represented here is for FY 2024-25.

State Commission Program Funds

State Commission program funds decreased from $4.4 million in FY 2024-25 to $2.4 million in FY 2025-26, a decrease of roughly $2.0 million or 44.8%. This decrease is largely attributed to the conclusion of funding for the Home Visitation Coordination Project with First 5 CA as well as a decrease in programmatic reimbursement related to IMPACT/Hubs, with some funding for that program deferred to FY 2026-27.

Local Entity Program Funding

Local Entity program funding increased from $4.4 million in FY 2024-25 to $4.6 million in FY 2025-26. This is a year-to-year increase of $193,272. This revenue uptick is due to a slight increase of grants from Los Angeles County Office of Education and Los Angeles County – Department of Public Health for FY 2024-25.

Investment Income

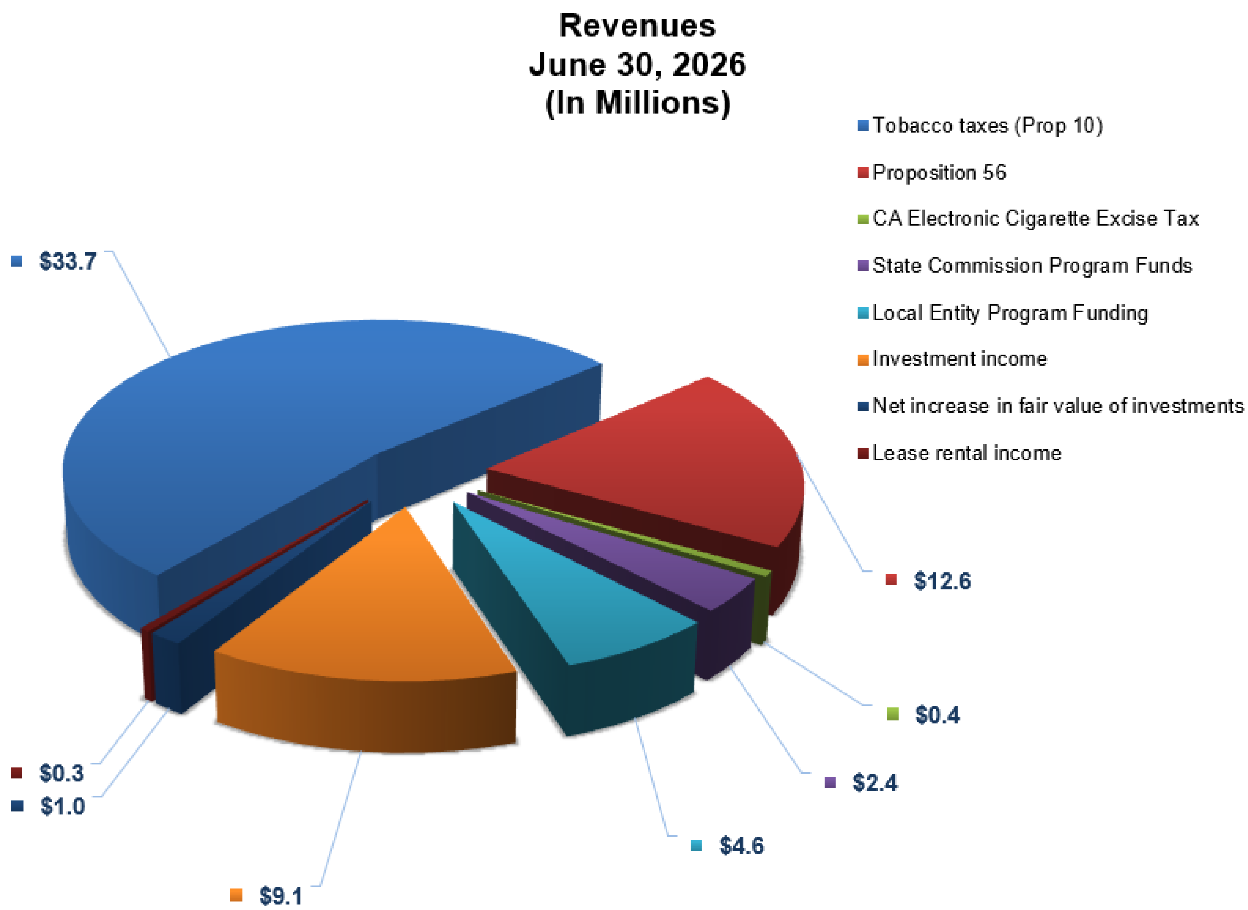
The commission earned roughly $9 million of the investment income in FY 2025-26 and there is lease interest earned $74,754, the total amount under this category is $9.1 million, which was a decrease of $2.1 million, or approximately 18.5%, compared with the roughly $11.2 million earned prior year. The overall rate of return for FY 2025-26 was 3.25%, a decrease of 0.49% from the previous year (2024-25) of 3.74%. This was due to continued decline in interest rates over the course of the fiscal year.

Fair Value Adjustment

The Commission separates the fair value adjustment under investment income from the Statement of Activities to more accurately reflect true interest earned. In FY 2025-26, the fair value of First 5 LA's investment portfolio adjustment increase was $977,040, compared to the $921,348 downward adjustment in FY 2024-25. This reflects lower interest rates and broader macroeconomic factors. The positive outcome is mainly influenced by LA County's overall investment. We adjusted our investments in line with their total investment, and this year, our withdrawals were lower than the total market value of LA County's investment.

Other General Revenues

FY 2025-26 included the execution and commencement of a seven-year lease with the County of Los Angeles for the rental of second-floor office space at 750 N. Alameda Street, Los Angeles, CA 90012. The lease was executed in November 2025 and provides for base rent of $48,887 per month through 2032. In accordance with GASB Statement No. 87, the Commission recognized $301,466 as lease revenue and $74,754 of related interest income within Investment Income.



Expenses

The Commission recognized expenses of $66.7 million in FY 2025-26 compared with $81.4 million in FY 2024-25, a decrease of $14.8 million, or 18.1%. The $14.8 million net decrease in overall expenses encompasses the following in FY 2025-26:

Provider Grants and Other Allocations

The Commission experienced a decrease of $12.7 million, or roughly 19.6% in support of "Provider grants and other allocations," spending approximately $51.8 million in FY 2025-26 compared to $64.5 million in FY 2024-25. The net decrease is due to several programs, such as Welcome Baby and SHV, have ramped down and closed in 2025-26, and with no plans for future funding. As a result, total grant expenses have significantly decreased compared to the previous year. The proposed spending is aligned with the Long-Term Financial Plan spending limits and downward revenue trajectory, as well as adjusted activity timelines and ending or ramped-down projects.

The continued revenue decline was a major factor in shaping the FY 2025-26 budget, which saw a $3.6 million or 6.21%, reduction in Strategic Plan expenditures compared to the prior year. This situation prompted a reassessment of the Long-Term Financial Plan (LTFP), driving the organization to re-evaluate its priorities and spending through FY 2034-35 to ensure long-term sustainability. The reduction in FY 2025-26 spending was anticipated and aligns with the organization's planned spending trajectory.

Salaries and Benefits
Salaries and Benefits decreased from FY 2024-25 by $2.1 million or 14.9%. This was primarily due to the elimination of staff positions that had previously been open or budgeted for the organization, due to organizational restructuring, this position has been eliminated. This is the reason for the decrease in salary and benefits.

Operating Services

Operating Services decreased slightly by $56,858 or 4.7% from the prior year due to realignment of some departments and weekly usage affecting general operating costs, particularly in facilities, maintenance, and utilities.

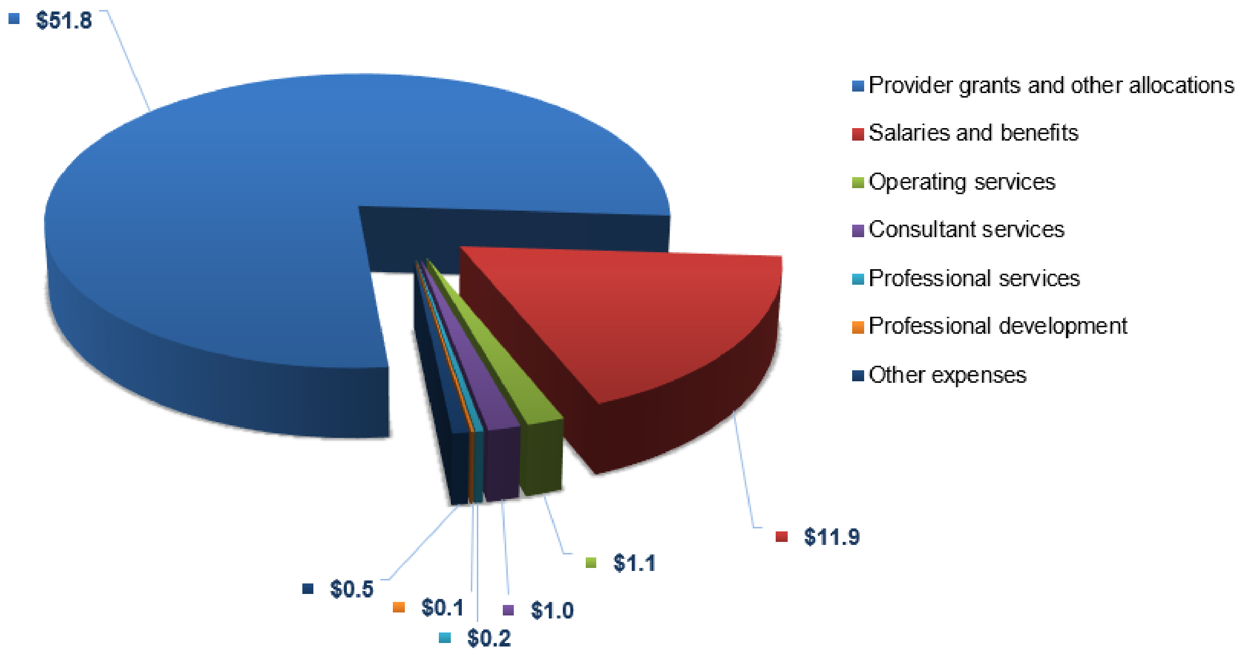
Consultant Services
The Commission recorded $1,004,263 in expenses for consultant services in FY 2025-26, a 27.1% increase from FY 2024-25. The increase is primarily due to higher usage and engagement of outside firms and individuals for assistance in ongoing strategic plan related work, temporary labor support and building management services.

Professional Services
Professional services decreased from FY 2024-25 by $127,420 or 34.9%. The decrease is largely due to lower expenses for legal services.

Professional Development
Professional development decreased in FY 2025-26 by $28,836 or 35.9% from FY 2024-25. Over the course of the fiscal year, expenses were reduced, as strategic shifts reduced the need for certain planned expenditures primarily for in-person conferences along with professional development programs and opportunities across the State.

Other Expenses
Other expenses decreased from FY 2024-25 by $11,546 or 18.7%. The decrease is due to an overall decline in organization-wide travel needs due to less out-of-state travel as well as local meetings.

Program and Operating Expenses
Fiscal Year Ended June 30, 2026
(In Millions)



Analysis of the Governmental Fund

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

At the end of FY 2025-26, the Commission's general fund reported a total ending fund balance of $252.0 million, a decrease of $4.1 million, or 1.6% in comparison with the prior fiscal year balance of $256.1 million.

Total fund balance decreased because expenditures exceeded annual revenues, reflecting the Commission's continued investment activities and strategies outlined in the 2024-2029 Strategic Plan, including the new multi-year commitments for specific initiatives.

Budgetary Highlights

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

Final Revenue Budget vs. Actual Revenue

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

Tobacco Taxes, Prop 56, and CA Electronic Cigarette Excise Tax (CECET)
Total combined tobacco tax revenue, including Proposition 56 backfill and the CA Electronic Cigarette Excise Tax (CECET), recorded for FY 2025-26 was $46.9 million, approximately $1.0 million, or 2.2%, lower than the anticipated amount of $47.9 million reflected in the Long-Term Financial Plan approved by the Commission in June 2026. The original estimate of $51.6 million was based on data provided by the California Department of Tax and Fee Administration (CDTFA), updated in September 2024, and internally adjusted downward by 1% in response to volatility in year-over-year revenue performance and projections from CDTFA. First 5 LA received revised revenue projections from CDTFA; however, the estimates included in the latest forecast are still under review.

Other Program Revenue
Other program revenue, including State Commission Program Funds and Local Entity Program Funding, recorded for FY 2025-26 was approximately $6.7 million, which is roughly $1.8 million, or 21.2%, lower than the $8.5 million estimated at mid-year. This category includes funding from First 5 California, the Los Angeles County Department of Mental Health (DMH), a Medi-Cal Managed Care Plan, an LA Care Grant, and funds from WestEd in support of IMPACT/QSLA, Welcome Baby, and Select Home Visiting activities. Some of the IMPACT resources originally anticipated for receipt in FY 2025-26 are being extended into FY 2026-27. Additionally, WestEd funding was recorded as an advance and will be recognized as earned revenue each quarter as work progresses.

Investment Income
Investment income from earnings on the County Treasurer's Surplus Investment Pool totaled just over $9.1 million in FY 2025-26. The average return of 3.25% exceeded the 2.5% projected in the Long-Term Financial Plan approved by the Commission in June 2026.

Original Expenditure Budget vs. Final Expenditure Budget

In March 2026, the Commission approved the proposed cost-neutral mid-year adjustments to the FY 2025-26 budget, shifting resources among cost categories while maintaining a total budget of $80.0 million. The following provides a brief summary of the adjustments that resulted in the final cost-neutral revised budget compared with the original budgeted expenditures:

Provider Grants and Other Allocations
Resources included in the original Program Budget (Provider Grants and Other Allocations) were determined to be sufficient for the remainder of the fiscal year.

Operating Services
This cost category reflects a total net decrease of $2,300. This includes reductions based on savings during the first half of the fiscal year, as well as reduced spending anticipated for the second half of the fiscal year based on spending trends.

Consulting Services
No change to this cost category. Existing budget resources were expected to fulfill the organization's needs for the remainder of the fiscal year.

Professional Services
The Professional Services category was decreased by $400 to capture cost savings in the first half of the fiscal year.

Travel Expenses
The $1,800 net decrease to the Travel cost category reflects projected lower-than-anticipated lodging and per diem needs in FY 2025-26.

Professional Development
This category includes Training Materials & Supplies, Internal/In-house Training, Leadership Programs, Conference Registrations and External Education/Training. There was a net increase of $4,500 to the Professional Development cost category due to additional staff leadership and external educational needs anticipated before the end of the fiscal year.

Final Expenditure Budget vs. Actual Expenditure Amounts

The following provides a summary of the key factors contributing to the variance between actual expenditures and final budgeted amounts:

Provider Grants and Other Allocations
The variance in Provider Grants and Other Allocations for FY 2025-26 was approximately $7.8 million lower than anticipated. This variance was due to timing conflicts and the scaling back of activities. For example, of the nearly $4.8 million earmarked under the Strategic Initiatives Development Fund established for FY 2025-26, only 17%, or approximately $821,000, was spent. This was largely due to timing issues, as the fund was established to support expenditures related to the development of new initiatives, tactics, and projects aligned with the goals outlined in the Strategic Plan. As the tactics were still being developed in early FY 2025-26 and strategic discussions regarding resource prioritization were taking place, funds were not utilized at the projected rate. However, work and activities that began in FY 2025-26 will continue into FY 2026-27 and will increase the drawdown against this project.

Additionally, planned initiatives, such as exploring new partnerships—including pooled funding and targeted marketing and advertising services—were postponed as the organization focused on its strategic planning implementation process and brand refresh. Staffing vacancies and hiring holds across several departments also contributed to underspending, resulting in a reassessment of priorities and extended timelines for some activities while maintaining a focus on strategic plan implementation objectives. Finally, the receipt of external funds helped offset some budgeted costs.

Salaries and Benefits
Salary and benefit costs were $4,147,861 lower than budgeted. This was due to a combination of regular employee attrition during the fiscal year and positions that were budgeted for FY 2025-26 but remained vacant.

Total Operating Services expenditure was $375,410 below budget. The following is an analysis of the significant activities comprising this variance:

Utilities
Utilities expenses were $25,860 lower than budgeted, largely because the rooftop solar panels resulted in lower energy costs.

Mileage and Parking
Mileage and parking costs were $17,709 lower than budgeted. This variance reflects staff turnover and vacant positions, as well as an emphasis on local travel.

Telephones and Modems
Telephones, modems, and related expenses exceeded the budget by $25,867. Existing technology and equipment were reassessed for modernization, including the transition of landlines to voice calling and the establishment of a backup internet connection at the First 5 LA building, resulting in an overall increase in expenses.

Cell Phones and Mobile Devices
Cell phone and mobile device costs were $26,700 lower than budgeted, primarily due to lower-than-expected cell phone reimbursements resulting from staff vacancies.

Office Supplies
Office supplies were $13,918 lower than budgeted. This variance was due to hybrid work arrangements and increased use of digital applications and platforms in place of traditional methods of documentation and storage.

Building Repairs and Maintenance
Building repairs and maintenance expenses exceeded the final budget by $16,615. Additional maintenance and repair costs were required following the leasing of the second floor and increased use of the building, including common-area facilities and restrooms, resulting in additional costs in FY 2025-26.

Hardware & Software Maintenance
Hardware and software maintenance spending was $146,994 lower than budgeted. This was primarily due to fewer software subscriptions, licenses, and applications being used in FY 2025-26, resulting in cost savings.

Internal Meetings
Internal meeting expenses were $63,813 lower than budgeted. This was primarily due to hybrid work arrangements, which resulted in fewer in-person meetings and increased use of technology to connect staff remotely.

Division Capacity Building
Division Capacity Building spending was $17,250 below budget. Prioritization of strategic plan implementation work resulted in lower-than-anticipated spending in this category, which is intended to promote division-wide learning and agreement.

Consultant Services
Consultant services costs were $279,637 below budget. The variance was primarily the result of a lower-than-anticipated need for consultants across most departments. In particular, there was no spending for consultants under the Center for Family Systems & Human Resources and lower-than-anticipated spending across other departments whose Consultant Services budgets were centralized in the Senior Leadership Team member's Center support budget. These savings offset increased consultant spending in support of Strategic Plan implementation work.

Professional Services
Professional services costs were $219,748 below budget. Decreases in legal services and web-based services contributed to cost savings for the organization.

Travel
Travel and travel-related expenses were considerably lower than budgeted. The $244,663 in cost savings coincided with the continued use and normalization of virtual meetings, as well as lower levels of travel for various purposes, including professional development, in-person conferences, and offsite meetings.

Professional Development
Professional Development expenditures were $303,586 below the final budget. This was the result of continued use of virtual opportunities for professional development at a fraction of the cost of in-person training, as well as training opportunities whose limited schedules conflicted with organization-wide priorities.

Capital Outlay
Capital Outlay expenditures totaled $1,603,835, including approximately $1.58 million for capital improvement plan costs and approximately $25,767 for computer cybersecurity software and accessories to modernize the organization's digital infrastructure. Capital improvement plan costs associated with the final phase of the capital improvement project included, but were not limited to: minor renovations to the second floor in anticipation of tenants leasing the space, and final construction and furnishing costs for the configuration and furnishing of the redesigned first-floor shared conference areas. The original $6,959,676 capital improvement plan fund, established in June 2017, has been fully exhausted.

Other Potentially Significant Matters

Over the past several years, revenue performance has demonstrated significant year-to-year variability. While the organization typically experiences an annual rate of decline of 3%–5%, declines have reached as high as 12.49% in FY 2022-23, primarily driven by Proposition 31, a ballot measure prohibiting the sale of certain flavored tobacco products. Proposition 31 resulted in an immediate and accelerated decline in First 5 LA's Proposition 10 tobacco tax revenue for fiscal years 2022-23 and 2023-24. In response to these extreme fluctuations, which continue to have lasting financial implications, First 5 LA continues to receive backfill "hold harmless" payments from the State to maintain Proposition 10 revenue for participating counties following the passage and implementation of SBx2 and Proposition 56.

In response to the long-term impact on its primary source of funding and the evolving landscape of tobacco tax legislation, First 5 LA revised its Long-Term Financial Plan (LTFP) and established spending limits through FY 2034-35, approved by the Commission in October 2024.

The second update to the revised LTFP, incorporating final audited expenditures for FY 2024-25, the mid-year revised budget for FY 2025-26, and the proposed budget for FY 2026-27, along with updates to other revenue projections, was approved by the Board of Commissioners in June 2026. Projected revenue for FY 2025-26 was based on estimates from the Department of Finance (DOF) and the California Department of Tax and Fee Administration (CDTFA), issued in April 2025.

Updates to the LTFP resulted in a higher projected ending fund balance in FY 2034-35. However, in May 2026, First 5 LA received an updated forecast from the DOF and CDTFA that reflected significant reductions in the five-year forecast beginning with FY 2025-26. This new forecast is still being validated. If this trend of significant revenue decline continues, it will have a substantial impact on the organization's fund balance. First 5 LA will continue to monitor the legislative landscape and consumption trends and use the Long-Term Financial Plan as a critical tool to align long-term spending with the 2024-2029 Strategic Plan and adapt to evolving fiscal realities.

The Long-Term Financial Plan (LTFP), approved by the Board in October 2024 and updated annually to reflect changes in projected revenues and expenditures, establishes a baseline funding framework for First 5 LA through FY 2034-35. The LTFP provides a long-term financial framework for managing future-year expenses and strategically maximizing the use of projected fund balances. The FY 2026-27 budget was developed within the LTFP baseline as a fiscal guardrail to establish First 5 LA's maximum direct investment for the year. The LTFP will continue to guide annual budget development and support sustainable, long-term financial planning.

4) Significant capital assets and long-term financing activity:

During the fiscal year, the Commission completed $2.1 million in construction-in-progress, transitioning major investments into operational service. This included $1.6 million allocated for essential building and structural improvements aimed at expanding regional capacity and addressing long-term deferred maintenance. The operational footprint was adjusted by disposing of $195,823 in outdated furniture, fixtures, and software that had reached the end of their useful life, ensuring that asset records accurately reflect active service capacity. Overall, long-term capital assets increased by 7.3% to $21.1 million, primarily supported by proceeds from prior years. Accumulated depreciation stood at $8.4 million, reflecting a 2.84% increase.

Lease

During the fiscal year ended June 2026, the Commission entered into a lease agreement as a lessor to provide 750 N Alameda St (2nd Floor), Los Angeles, CA 90012 to the County of Los Angeles. In accordance with GASB Statement No. 87, Leases, the Commission recognized a lease receivable of $3,264,004 and a corresponding deferred inflow of resources in the amount of $3,229,992. During the fiscal year ended June 2026, the Commission recognized $301,466 in lease revenue and $74,754 in interest revenue related to this agreement. At fiscal year-end, the remaining lease receivable was $ 3,264,004, and the remaining deferred inflow of resources was $3,229,992. Additional information on lessor activities is available in Note 4 of the financial statements.

5) Currently known facts, decisions, or conditions

First 5 LA's long-term revenue outlook continues to be affected by both demographic trends and changes in tobacco consumption and tax revenue assumptions. The April 2025 forecast from the Department of Finance (DOF) and California Department of Tax and Fee Administration (CDTFA) projected Los Angeles County Proposition 10 tobacco tax revenue to decline from approximately $47.9 million in FY 2025-26 to $44.0 million by FY 2028-29, reflecting a gradual decline in projected births and birth rates in the County. The May 2026 updated forecast reflects a more significant downward revision, projecting revenue of approximately $44.1 million in FY 2025-26 and declining further to $36.6 million by FY 2029-30. During the same period, Los Angeles County births are projected to decrease from 89,511 in 2024 to 85,403 in 2028, while the County's share of statewide births also declines modestly. These demographic trends are particularly significant to First 5 LA because Proposition 10 revenue is tied to tobacco consumption and the population of young children and families served by the organization.

While the forecasts reflect estimates at a specific point in time and are subject to change, the continuing downward trajectory suggests that First 5 LA may experience ongoing pressure on its primary revenue source over the next several years and continue to incorporate conservative revenue assumptions, monitor demographic and consumption trends, monitor changes in tobacco-related legislation, and align long-term spending with available resources, as reflected in the Long Term Financial Plan (LTFP).

The Long-Term Financial Plan (LTFP), approved by the Board in October 2024 and updated annually to reflect changes in projected revenues and expenditures, establishes a baseline funding framework for First 5 LA through FY 2034-35. The LTFP provides a long-term financial framework for managing future-year expenses and strategically maximizing the use of projected fund balances. The FY 2026-27 budget was developed within the LTFP baseline as a fiscal guardrail to establish First 5 LA's maximum direct investment for the year. The LTFP will continue to guide annual budget development and support sustainable, long-term financial planning.

Looking ahead, the Commission faces ongoing downward pressure from declining Proposition 10 revenue allocations, which historically support core early childhood programs. In response to these projected structural declines, management updated its Long-Term Financial Plan to re-baseline operating expenditures. For the upcoming fiscal year, the Commission has enacted a strategic hiring limitation on non-essential administrative positions, reprioritized grant-funded programmatic spending, and established a formalized plan and $60m budget organization starting in 2027-28. These proactive measures are designed to absorb revenue contraction without compromising primary service delivery or threatening the Commission's long-term financial solvency.

Contacting the Commission's Financial Management

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

	General Fund	Adjustments (Note 1)	Statement of Net Position
Assets			
Cash and investments	$ 260,161,988	$ -	$ 260,161,988
State receivable	6,178,090	-	6,178,090
Interest receivable	719,751	-	719,751
Lease receivable	3,264,004	-	3,264,004
Advances to grantees	93,584	-	93,584
Capital assets			
Not depreciated/amortized	-	2,039,000	2,039,000
Capital assets (net)	-	12,518,213	12,518,213
Total assets	$ 270,417,417	$ 14,557,213	$ 284,974,630
Liabilities			
Accounts payable and accrued liabilities	$ 9,002,717	$ -	$ 9,002,717
Compensated absences			
Due within one year	-	279,748	279,748
Due in more than one year	-	1,529,557	1,529,557
Total liabilities	9,002,717	1,809,305	10,812,022
Deferred Inflows of Resources			
Leases	3,229,992	-	3,229,992
Unavailable revenue	6,178,090	(6,178,090)	-
Total deferred inflows of resources	9,408,082	(6,178,090)	3,229,992
Fund Balance/Net Position			
Fund balance			
Nonspendable	93,584	(93,584)	-
Committed	53,024,449	(53,024,449)	-
Assigned	146,913,033	(146,913,033)	-
Unassigned	51,975,552	(51,975,552)	-
Total fund balance	252,006,618	(252,006,618)	-
Net position			
Investment in capital assets	-	14,557,213	14,557,213
Unrestricted	-	256,375,403	256,375,403
Total net position	-	270,932,616	270,932,616
Total liabilities, deferred inflows of resources and fund balance/net position	$ 270,417,417	$ 14,557,213	$ 284,974,630

	General Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Program revenues			
Operating grants and contributions			
Tobacco taxes	$ 33,769,944	$ (88,343)	$ 33,681,601
Proposition 56	12,588,020	-	12,588,020
CA electronic cigarette excise tax	534,199	(90,809)	443,390
State commission program funding	3,215,781	(774,992)	2,440,789
Local entity program funding	3,512,240	1,058,863	4,571,103
Total program revenues	53,620,184	104,719	53,724,903
General revenues			
Investment income	9,122,458	(28,361)	9,094,097
Net increase in fair value of investments	977,040	-	977,040
Lease revenue	301,466	-	301,466
Total general revenues	10,400,964	(28,361)	10,372,603
Total revenues	64,021,148	76,358	64,097,506
Expenditures/Expenses			
Provider grants and other allocations	51,811,096	-	51,811,096
Salaries and benefits	12,224,265	(286,396)	11,937,869
Operating services	1,143,874	-	1,143,874
Consultant services	1,004,263	-	1,004,263
Professional services	238,102	-	238,102
Professional development	51,514	-	51,514
Travel	50,145	-	50,145
Capital outlay	1,603,835	(1,603,835)	-
Depreciation	-	434,163	434,163
Total expenditures/expenses	68,127,094	(1,456,068)	66,671,026
Net change in fund balance	(4,105,946)	4,105,946	-
Change in Net Position	-	(2,573,520)	(2,573,520)
Fund Balance/Net Position			
Beginning of Year	256,112,564	17,393,572	273,506,136
End of Year	$ 252,006,618	$ 18,925,998	$ 270,932,616

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 the operation of the Commission's fund are included on the statement of net position. The statement of activities presents a comparison of the direct expenses and program revenues for the Commission's governmental activities. Program revenues include grants and contributions restricted for the operational requirements of a particular program. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Program revenues include tobacco taxes, Proposition 56 taxes, CA Electronic Cigarette Excise taxes and grants and contributions that are restricted to meeting the operational requirements of a particular program. General revenues are all revenues that do not qualify as program revenues and include investment income and other income. Net position represents the resources that the Commission has available for use in providing services. Net position is composed of investment in capital assets and unrestricted funds. At June 30, 2026, the Commission reported unrestricted net position of $256,375,403.

Fund Financial Statements

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

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

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

a. Capital Assets
Capital assets are not considered to be financial resources and therefore are not reported as an asset in the fund financial statements. Capital assets in the amount of $14,557,213 are capitalized and reported at cost, net of accumulated depreciation, in the government-wide financial statements. Capital assets purchased during the year in the amount of $1,603,835 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, 2026 amounted to $434,163 and is reported in the statement of activities.

b. Long-Term Liabilities
As of June 30, 2026, the Commission estimated its liability for compensated absences to be $1,809,305. Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government-wide financial statements and are included in long-term liabilities. The decrease in compensated absences during the year of $286,396 is reported in the statement of activities.

c. Unavailable Revenue
Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission's established availability period of 60 days. All other accrued revenues due to the Commission are recognized as unavailable revenue at year-end in the fund financial statements. Governmental funds recognized unavailable revenue where receivables are not available to liquidate liabilities of the current period. As of June 30, 2026, the Commission has unavailable revenues of $6,178,090. The increase in unavailable revenue during the year of $76,358 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:

- 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, 2026:

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

GASB Statement No. 104 – In September 2024, the GASB issued Statement No. 104, *Disclosures of Certain Capital Assets*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. This Statement requires certain additional disclosures for capital assets, including capital assets held for sale, lease assets by major class of underlying assets, subscription assets, and intangible assets other than lease assets and subscription assets. The Commission has determined that there was no material impact on the Commission's financial statements.

Effective in Future Fiscal Years

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

GASB Statement No. 105 – *Subsequent Events*

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 2025-26, the Commission entered into agreements with various grantees to support the Commission's 2024-2029 Strategic Plan. The Commission has the following outstanding advances to grantees as of June 30, 2026.

Advances to Grantees		
The Nonprofit Partnership	$	19,437
El Nido Family Centers		17,217
Community Health Councils		56,930
Total advances to grantees	$	93,584

Lease Receivables

Lease receivables are recorded by the Commission at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future payments to be received are discounted on the interest rate the Commission charges the lessee.

Capital Assets

Capital assets are composed of land, buildings, building improvements, computer software and accessories, office equipment and furniture and fixtures and are recorded at cost. Donated capital assets are recorded at acquisition value, at the date of donation. The Commission capitalizes assets with a cost in excess of $5,000 and with a useful life greater than one year. Subscription-Based Information Technology Arrangements (SBITAs) with a cost in excess of $10,000 and with a period equal to one year or greater are capitalized. The Commission depreciates capital assets using a straight-line method over the estimated useful life of fifty years for buildings, four years for computers and five years for office equipment and furniture and fixtures. Building improvements are depreciated over the remaining useful life of the building. SBITAs are amortized over the term of the agreement.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission has the following items that qualify for reporting in this category:

- 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.
- Deferred inflows related to leases in which the Commission is the lessor are reported in the governmental fund balance sheet and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on a straight-line basis over the term of the lease.

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, 2026 are as follows:

Cash	
Cash in bank	$ 2,634,831
Investments	
Investments with County Treasurer	
Pooled cash and investments	257,527,157
Total investments	257,527,157
Total cash and investments	$ 260,161,988

Cash in Bank

The California Government Code requires California banks and savings and loan associations to secure the Commission's deposits by pledging government securities as collateral. The fair value of pledged securities must equal 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits and collateral is considered to be held in the name of the Commission. At June 30, 2026, cash held by financial institutions of $3,397,556 was entirely insured and collateralized as described above. The book balance at June 30, 2026 was $2,634,831.

Investments

Investments with the Los Angeles County Treasurer at June 30, 2026 are stated at fair value.

The fair value of investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals. The Los Angeles County Treasury is sponsored and administered by the County of Los Angeles and oversight is conducted by the County Treasury Oversight Committee. At June 30, 2026, the remaining maturity for the County pool approximated 335 days and the County pool is not rated.

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

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 and investments in money market mutual funds at June 30, 2026, are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

Authorized Investments

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

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party.

Deposits that potentially subject the Commission to custodial credit risk consist of demand deposits. The Commission's deposits were covered by Federal Deposit Insurance Corporation (FDIC) up to $250,000. Amounts in excess of FDIC are secured in accordance with the California Government Code, which requires that financial institutions secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Collateral is considered held in the Commission's name.

Note 3 - Capital Assets

	Balance June 30, 2025	Increases	Decreases	Balance June 30, 2026
Capital assets, not depreciated				
Land	$ 2,039,000	$ -	$ -	$ 2,039,000
Construction in progress	512,203	1,062,777	(1,574,980)	-
Total capital assets, not being depreciated	2,551,203	1,062,777	(1,574,980)	2,039,000
Capital assets, depreciable				
Building and improvements	15,970,799	1,574,980	-	17,545,779
Computers and accessories	2,280,105	46,479	(26,823)	2,299,761
Office equipment	346,046	-	-	346,046
Furniture and fixtures	627,670	494,579	(169,000)	953,249
Total depreciable capital assets	19,224,620	2,116,038	(195,823)	21,144,835
Less accumulated depreciation				
Building and improvements	(5,287,099)	(358,283)	-	(5,645,382)
Computers and accessories	(2,134,976)	(72,878)	26,823	(2,181,031)
Office equipment	(338,537)	(3,002)	-	(341,539)
Furniture and fixtures	(627,670)	-	169,000	(458,670)
Total accumulated depreciation	(8,388,282)	(434,163)	195,823	(8,626,622)
Total capital assets depreciated, net	10,836,338	1,681,875	-	12,518,213
Capital assets, net	$ 13,387,541	$ 2,744,652	$ (1,574,980)	$ 14,557,213

Note 4 - Lease Receivable

The Commission leases office space located at 750 North Alameda Street, Los Angeles, California, to the County of Los Angeles Chief Executive Office. The leased premises consist of approximately 17,777 rentable square feet located on the second floor of the Commission's office building. The agreement commenced in November 2025 and has a term of seven years. Initial base rent is $48,887 per month, subject to annual adjustments based upon the changes in the Consumer Price Index for the Los Angeles area, with annual increases limited to 4%.

At June 30, 2026, the Commission reported a lease receivable of $3,264,004 and a related deferred inflow of resources of $3,229,992. During the year ended June 30, 2026, the Commission recognized $301,466 of lease revenue. The lease receivable was measured using a discount rate of 3.75%, which represents the interest rate charged under the lease.

Future principal and interest lease payments as of June 30, 2026 are as follows:

Years Ending June 30,	Principal	Interest	Total
2027	$ 432,266	$ 105,488	$ 537,754
2028	488,795	97,846	586,641
2029	507,443	79,198	586,641
2030	526,803	59,838	586,641
2031	546,901	39,740	586,641
2032-2033	761,796	20,393	782,189
	$ 3,264,004	$ 402,503	$ 3,666,507

Note 5 - Changes in Compensated Absences

Compensated absences liability activities for the year ended June 30, 2026 is as follows:

	Balance June 30, 2025	Net Change	Balance June 30, 2026	Due Within One Year
Compensated absences	$ 2,095,701	$ (286,396)	$ 1,809,305	$ 279,748
	$ 2,095,701	$ (286,396)	$ 1,809,305	$ 279,748

Note 6 - 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, 2026 consists of the following:

Initiative/Program Allocation	
	Nonspendable
Advances	
The Nonprofit Partnership	$ 19,437
El Nido Family Centers	17,217
Community Health Councils	56,930
Total nonspendable	93,584
	Committed
Annual Reporting	42,000
Center Support	125,000
Children's Data Network (CDN)	450,500
Communities	8,668,974
Data Requests	20,000
Early Care & Education	4,010,000
Early Childhood Policy and Advocacy Fund	3,070,000
Equity Index	250,000
Family Supports	28,242,146
Health Systems	1,066,000
Impact Framework	230,000
Organizational Memberships	144,500
Organization-Wide Partnerships	118,000
Organization-Wide Sponsorships	204,000
Policy Advocacy Fund Technical Assistance Provider	445,000
Policy Advocacy Stakeholder Engagement	106,250
State Policy and Sustainability Advocate	205,000
Strategic Communications	532,174
Strategic Communications Partnerships	127,500
Strategic Initiatives Development Fund	3,951,555
Strategic Marketing	565,850
Strategic Plan Advocacy Strategies	450,000
Total committed	53,024,449

Initiative/Program Allocation

	Assigned
Strategic Plan	$ 146,913,033
Total assigned	146,913,033
	Unassigned
Operating Budget - FY 2026-27	16,975,552
Fund Balance Reserve - 50% of total FY 25-26 Budget	35,000,000
Total unassigned	51,975,552
Total fund balance	$ 252,006,618

Note 7 - 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 $269,591 on program evaluation during the year ended June 30, 2026.

Note 8 - 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 $849,509, comprised of $407,963 in elective contributions, and $441,546 in non-elective contributions for the fiscal year ended June 30, 2026.

Note 9 - Unavailable Revenue

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

Unavailable Revenue	
Tobacco Taxes	$ 2,989,556
CA Electronic Cigarette Excise Tax	134,191
LACOE IMPACT	691,287
Home Visiting Coordination Program	2,041,417
Investment Income	321,639
Total unavailable revenue	$ 6,178,090

Note 10 - Risk Management

The Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees. The Commission maintains commercial insurance coverage for general liability, automobile liability, workers' compensation, and employer liability claims.

There were no significant reductions in insurance coverage during the fiscal year ended June 30, 2026. No claims or suits are pending against the Commission arising out of proposed claim settlements covered by insurance. No settlements exceeded insurance coverage during the last three years.

Note 11 - Related Party Transactions

The Commission incurred expenditures totaling $9,756 for County of Los Angeles services provided during the year ended June 30, 2026.

In the fiscal year, the Commission incurred $41,330,654 of expenditures for provider grants, operating services, consultant services, and professional services to organizations that are represented by 12 members of the Board of Commissioners. As of June 30, 2026, amounts of $2,578,409 are included in accounts payable to these organizations.

As disclosed in Note 4, in fiscal year, the Commission entered into a lease agreement with the County of Los Angeles Chief Executive Office for office space at the Commission’s office building. During the year-ended June 30, 2026, the Commission recognized lease revenue of $301,466. At June 30, 2026, the Commission reported a lease receivable of $3,264,004 and deferred inflow of resources $3,229,992.

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, assess, 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 centered on continuous quality improvement quality, including a network of local Quality Rating and Improvement 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 $2,081,726 in IMPACT Regional Coordination and Training reimbursable expenditures for the year ended June 30, 2026.

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 $359,063 in IMPACT Technical Assistance Hubs reimbursable expenditures for the year ended June 30, 2026.

Required Supplementary Information
June 30, 2026

Los Angeles County Children and Families First – Proposition 10 Commission

Los Angeles County Children and Families First – Proposition 10 Commission

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund

For the Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget over (under) Final Budget	Actual	Variance with Final Budget over (under) Actual Amounts
Revenues					
Tobacco Taxes	$ 51,580,355	$ 47,939,078	$ (3,641,277)	$ 33,769,944	$ (14,169,134)
Proposition 56	-	-	-	12,588,020	12,588,020
CA Electronic Cigarette Excise Tax	-	-	-	534,199	534,199
State Commission Program Funding	3,375,531	3,717,738	342,207	3,215,781	(501,957)
Local Entity Program Funding	4,266,581	4,816,581	550,000	3,512,240	(1,304,341)
Investment Income	7,030,432	7,446,898	416,466	9,122,458	1,675,560
Net Increase in Fair Value of Investments	-	-	-	977,040	977,040
Lease Revenue	-	-	-	301,466	301,466
Total revenues	66,252,899	63,920,295	(2,332,604)	64,021,148	100,853
Expenditures					
Program Costs					
Provider Grants and Other Allocations	59,613,433	59,613,433	-	51,811,096	7,802,337
Total program costs	59,613,433	59,613,433	-	51,811,096	7,802,337
Operations & Administration					
Salaries and Benefits					
Salaries and Wages	11,788,254	11,788,254	-	9,202,250	2,586,004
Fringe Benefits	4,583,872	4,583,872	-	3,022,015	1,561,857
Total salaries and benefits	16,372,126	16,372,126	-	12,224,265	4,147,861
Operating Services					
ADP Payroll Charges	40,000	40,000	-	29,728	10,272
Workers' Compensation Insurance	84,919	84,919	-	38,035	46,884
Utilities	185,000	185,000	-	159,140	25,860
Corporate Insurance	140,800	140,800	-	143,548	(2,748)
Mileage and Parking	22,965	22,965	-	5,256	17,709
Telephones and Modems	53,300	53,300	-	79,167	(25,867)
Cell Phones and Mobile Devices	108,300	108,300	-	81,600	26,700
Outside Printing	2,300	2,300	-	185	2,115
Other Supplies	3,000	3,000	-	5,864	(2,864)
Postage and Delivery	2,510	2,510	-	1,638	872
Educational Supplies	5,000	5,000	-	1,322	3,678
Office Supplies	34,790	34,790	-	20,872	13,918
Subscriptions and Publications	34,000	33,800	(200)	26,567	7,233
Equipment Rental	21,000	21,000	-	19,432	1,568
Building Repairs and Maintenance	170,000	170,000	-	186,615	(16,615)
Equipment Repairs and Maintenance	6,500	6,500	-	995	5,505
Offsite Storage	5,200	5,200	-	2,667	2,533
Hardware and Software Maintenance	404,000	404,000	-	257,006	146,994
Miscellaneous/Contingency	89,800	89,800	-	33,433	56,367
Internal Meetings	89,200	87,100	(2,100)	23,287	63,813
Division Capacity Building	19,000	19,000	-	1,750	17,250
Capital Outlay	-	-	-	25,767	(25,767)
Total operating services	1,521,584	1,519,284	(2,300)	1,143,874	375,410

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, 2026

	Original Budget	Final Budget	Variance with Original Budget over (under) Final Budget	Actual	Variance with Final Budget over (under) Actual Amounts
Consultant Services					
Consultant Fees	$ 972,000	$ 972,000	$ -	$ 691,494	$ 280,506
Other Professional Fees	311,900	311,900	-	312,769	(869)
Total consultant services	1,283,900	1,283,900	-	1,004,263	279,637
Professional Services					
Audit	72,000	72,000	-	49,370	22,630
Legal	200,000	200,000	-	94,156	105,844
Professional Dues	74,250	73,850	(400)	55,020	18,830
Staff Recruitment	10,000	10,000	-	1,761	8,239
Commission Stipends	20,000	20,000	-	8,850	11,150
Web-Based Services	70,000	70,000	-	28,216	41,784
Bank & Other Service Charges	12,000	12,000	-	729	11,271
Total professional services	458,250	457,850	(400)	238,102	219,748
Travel					
Airfare	117,125	117,125	-	19,153	97,972
Lodging	115,348	113,948	(1,400)	18,768	95,180
Per Diem	45,270	44,870	(400)	5,936	38,934
Other Travel Expense	18,865	18,865	-	6,288	12,577
Total travel and meetings	296,608	294,808	(1,800)	50,145	244,663
Professional Development					
Training Materials & Supplies	12,100	12,100	-	1,976	10,124
In-house Training	64,300	64,300	-	-	64,300
Leadership Programs	135,000	138,100	3,100	26,321	111,779
Conference Registrations	89,700	90,000	300	19,672	70,328
Outside Education	49,500	50,600	1,100	3,545	47,055
Total professional development	350,600	355,100	4,500	51,514	303,586
Capital Outlay	103,500	103,500	-	1,603,835	(1,500,335)
Total operating expenditures	20,386,568	20,386,568	-	16,315,998	4,070,570
Total program costs and operating expenditures	80,000,001	80,000,001	-	68,127,094	11,872,907
Excess (deficiency) of revenues over (under) expenditures	$ (13,747,102)	$ (16,079,706)	$ (2,332,604)	(4,105,946)	$ 11,973,760
Fund balance - Beginning of year				256,112,564	
Fund balance - End of year				$ 252,006,618	

Note 1 – Budget Adoption

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

The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund includes the budgeted expenditures for the year, along with management's estimate of revenues for the year. The legal level of budgetary control is at the total fund level. The total final budget for fiscal year 2025-26 was $80 million, which included $59.6 million for Program costs and $20.4 million for Operating and Administrative costs.

Other Supplementary Information
June 30, 2026

Los Angeles County Children and Families First – Proposition 10 Commission

Program	Source	Revenue Funds	Expenditures
IMPACT Regional Coordination and Training	First 5 California	$ 2,081,726	$ 2,081,726
Technical Assistance Hubs (Hubs)	First 5 California	359,063	359,063

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

Sources:

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

	Fiscal Year									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Unrestricted	256,375,403	260,118,595	274,450,549	278,642,272	287,686,543	315,694,716	338,630,916	364,338,314	379,018,838	422,015,244
Investment in capital asset	14,557,213	13,387,541	13,272,466	13,464,635	12,880,231	10,394,423	10,628,033	10,841,379	11,046,294	11,310,273
Total net position	$ 270,932,616	$ 273,506,136	$ 287,723,015	$ 292,106,907	$ 300,566,774	$ 326,089,139	$ 349,258,949	$ 375,179,693	$ 390,065,132	$ 433,325,517

	2026	2025	2024	2023	2022	2021	2020	2019	2018*	2017
Revenues										
Tobacco taxes*	$ 33,681,601	$ 33,182,663	$ 39,331,539	$ 47,253,504	$ 55,265,755	$ 60,590,413	$ 60,022,841	$ 68,580,443	$ 72,330,836	$ 83,567,141
Prop. 56	12,588,020	14,494,959	15,382,483	16,236,701	18,534,434	18,215,617	18,068,329	7,482,310	-	-
CA Electronic Cigarette Excise Tax	443,390	804,762	900,231	1,114,427	-	-	-	-	-	-
State Commission Program Funds	2,440,789	4,423,787	3,083,396	5,109,088	3,574,885	2,469,410	922,472	13,986,085	896,040	556,665
Medi-Cal Administrative Activities	-	-	-	132,945	189,125	80,319	133,955	350,924	181,859	137,599
Partnership for Families Fund**	-	-	-	-	-	-	-	-	-	4,334,967
California Department of Education	-	-	-	-	-	32,830	328,658	376,551	298,700	-
Local Entity Program Funding	4,571,103	4,377,831	6,948,184	550,017	811,368	522,406	584,118	123,793	1,016,683	401,956
Investment income	9,094,097	11,157,945	12,965,425	9,440,982	1,629,048	1,987,840	6,938,051	8,183,532	6,830,856	4,003,489
Net increase (decrease) in FMV of investments	977,040	(921,348)	3,805,000	3,649,787	(11,173,321)	(2,861,364)	1,354,275	4,898,141	(2,742,856)	(3,026,254)
Lease revenue	301,466	-	-	-	-	-	-	-	-	-
Other revenues	-	2,239	75	2,500	18,000	121,894	110,899	133,321	148,135	122,208
Total revenues:	$ 64,097,506	$ 67,522,838	$ 82,416,333	$ 83,489,951	$ 68,849,294	$ 81,159,365	$ 88,463,598	$ 104,115,100	$ 78,960,253	$ 90,097,771
Expenses										
Provider grants and other allocations	$ 51,811,096	$ 64,466,252	$ 69,291,109	$ 73,000,450	$ 75,838,658	$ 84,700,927	$ 93,379,930	$ 97,979,838	$ 101,364,209	$ 106,777,128
Pass-through grants	-	-	-	-	-	-	65,042	273,294	136,877	4,150,975
Salaries and benefits	11,937,869	14,033,321	14,128,762	15,672,576	15,131,025	16,838,090	17,393,319	17,532,230	17,382,747	15,763,620
Operating services	1,143,874	1,200,732	1,227,536	1,136,076	1,217,057	1,087,787	1,212,116	1,122,911	1,232,687	1,172,319
Consultant services	1,004,263	790,004	1,231,750	1,274,116	1,343,030	905,278	1,308,527	881,090	850,154	999,806
Professional services	238,102	365,522	329,402	293,063	327,245	426,218	323,816	382,450	500,050	346,529
Professional development	51,514	80,350	79,753	68,743	113,106	61,235	176,217	186,902	166,975	-
Other expenses	50,145	61,691	74,718	66,365	2,087	86	224,934	339,524	273,951	358,346
Depreciation	434,163	451,523	437,195	438,429	399,451	309,554	300,441	302,300	312,988	309,327
Total expenses:	$ 66,671,026	$ 81,449,395	$ 86,800,225	$ 91,949,818	$ 94,371,659	$ 104,329,175	$ 114,384,342	$ 119,000,539	$ 122,220,638	$ 129,878,050
Change in net position	$ (2,573,520)	$ (13,926,557)	$ (4,383,892)	$ (8,459,867)	$ (25,522,365)	$ (23,169,810)	$ (25,920,744)	$ (14,885,439)	$ (43,260,385)	$ (39,780,279)

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

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

	Fiscal Year									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Fund Balance										
Nonspendable	$ 93,584	$ 266,775	$ 365,973	$ 484,581	$ 884,546	$ 2,239,303	$ 2,193,116	$ 50,000	$ 1,044,000	$ 19,760,505
Committed	53,024,449	61,332,507	72,416,202	80,749,917	91,366,959	175,100,818	138,338,530	154,580,859	195,282,039	216,214,576
Assigned	146,913,033	134,126,715	128,490,922	124,149,006	120,353,448	59,941,864	113,226,421	141,221,211	125,245,775	128,331,556
Unassigned	51,975,552	60,386,567	67,397,163	70,304,954	75,241,629	79,140,252	84,925,739	56,257,698	57,847,860	57,832,380
Total Fund Balance	$ 252,006,618	$ 256,112,564	$ 268,670,260	$ 275,688,458	$ 287,846,582	$ 316,422,237	$ 338,683,806	$ 352,109,768	$ 379,419,674	$ 422,139,017

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Revenues										
Tobacco taxes*	$ 33,769,944	$ 33,382,392	$ 36,053,911	$ 47,253,504	$ 55,265,755	$ 60,590,413	$ 71,477,179	$ 68,580,443	$ 72,330,836	$ 83,567,141
Prop. 56	12,588,020	14,494,959	15,382,483	16,236,701	18,534,434	18,215,617	18,068,329	7,482,310		
State School Readiness	-	-	-	-	-	-	-	-	$ -	$ -
CA Electronic Cigarette Excise Tax	534,199	819,762	906,273	868,385	-	-	-	-	-	-
State Commission Program Funds	3,215,781	4,313,090	4,550,388	2,510,249	2,901,648	2,952,210	1,450,823	13,986,085	896,040	556,665
Medi-Cal Administrative Activities	-	-	-	132,945	189,125	80,319	133,955	350,924	181,859	137,599
Partnership for Families Funds**	-	-	-	-	-	-	-	-	-	4,334,967
California Department of Education	-	-	-	-	-	32,830	328,658	376,551	298,700	-
Local Entity Program Funding	3,512,240	4,695,332	5,718,128	1,153,255	861,659	531,868	320,982	123,793	1,016,683	401,956
Investment income	9,122,458	11,389,028	13,204,033	8,621,291	1,629,048	1,987,840	6,938,051	8,183,532	6,830,856	4,003,489
Net increase (decrease) in FMV of investments	977,040	(921,348)	3,805,000	3,649,787	(11,173,321)	(2,861,364)	1,354,275	4,898,141	(2,742,856)	(3,026,254)
Lease rental income	301,466	-	-	-	-	-	-	-	-	-
Other income	-	2,239	75	2,500	18,000	105,414	110,899	133,321	148,135	122,208
Total revenues:	$ 64,021,148	$ 68,175,454	$ 79,620,291	$ 80,428,617	$ 68,226,348	$ 81,635,147	$ 100,183,151	$ 104,115,100	$ 78,960,253	$ 90,097,771
Expenditures:										
Provider grants and other allocations	$ 51,811,096	$ 64,466,252	$ 69,291,109	$ 73,000,450	$ 75,838,658	$ 84,700,927	$ 93,379,930	$ 97,979,838	$ 101,364,209	$ 106,777,128
Pass-through grants	-	-	-	-	-	-	65,042	273,294	136,877	4,150,975
Salaries and benefits	12,224,265	13,202,001	14,159,195	15,725,095	15,075,561	16,639,241	17,281,687	17,532,230	17,382,747	15,763,620
Operating services	1,143,874	1,200,732	1,227,536	1,136,076	1,217,057	1,087,787	1,212,116	1,122,911	1,232,687	1,172,319
Consultant services	1,004,263	790,004	1,231,750	1,274,116	1,343,030	905,278	1,308,527	881,090	850,154	999,806
Professional services	238,102	365,522	329,402	293,063	327,245	426,218	323,816	382,450	500,050	346,529
Professional development	51,514	80,350	79,753	68,743	113,106	61,235	176,217	186,902	166,975	-
Other expenses	50,145	61,691	74,718	66,365	2,087	86	224,934	339,524	273,951	358,346
Capital outlay	1,603,835	566,598	245,026	1,022,833	2,885,259	75,944	87,095	302,300	312,988	309,327
Total expenditures:	$ 68,127,094	$ 80,733,150	$ 86,638,489	$ 92,586,741	$ 96,802,003	$ 103,896,716	$ 114,059,364	$ 119,000,539	$ 122,220,638	$ 129,878,050
Excess of revenues over expenditures	$ (4,105,946)	$ (12,557,696)	$ (7,018,198)	$ (12,158,124)	$ (28,575,655)	$ (22,261,569)	$ (13,876,213)	$ (14,885,439)	$ (43,260,385)	$ (39,780,279)

*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.

2024 Projected Births	2024 Projected Birthrate	2025-2026 Tax Revenue Projection	2025 Projected Births	2025 Projected Birthrate	2026-2027 Tax Revenue Projection	2026 Projected Births	2026 Projected Birthrate	2027-2028 Tax Revenue Projection	2027 Projected Births	2027 Projected Birthrate	2028-2029 Tax Revenue Projection	2028 Projected Births	2028 Projected Birthrate	2029-2030 Tax Revenue Projection
89,511	22.714%	$ 44,103,417	88,340	22.351%	$ 40,936,424	87,735	22.376%	$ 39,318,865	86,722	22.344%	$ 37,955,877	85,403	22.254%	$ 36,636,347

Source:
"First 5 California County Tax Revenue Projections for FY 2025-26 through 2029-30"
(Last Updated 6/1/26 Utilizing DOF May 2026 Updated Tobacco Tax Revenue Projections and DOF Birth Projections for California State and Counties 2000-2050)

Cigarette Taxes and Other Tobacco Products Surtax Revenue
by Fiscal Year, 1959-60 to 2024-2025
(In thousands of dollars)

Fiscal year	Cigarette tax Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Other tobacco products surtax Revenue	Other tobacco products surtax Rate
2024-25	1,061,264,000	3,152,000	1,064,416,000	3,342,000	127,610,000	52.92%
2023-24	1,143,589,000	3,397,000	1,146,986,000	7,803,000	206,728,000	56.32%
2022-23	1,332,672,000	3,959,000	1,336,630,000	1,796,000	267,494,000	61.74%
2021-22	1,552,563,789	4,611,767	1,557,175,556	847,881	288,966,313	63.49%
2020-21	1,700,943,000	5,053,000	1,705,996,000	335,000	266,694,000	56.93%
2019-20	1,708,597,000	5,075,000	1,713,672,000	1,191,000	258,560,000	59.27%
2018-19	1,786,074,000	5,305,000	1,791,379,000	3,659,000	271,772,000	62.78%
2017-18	1,852,854,000	15,884,000	1,868,738,000	1,033,000	169,244,000	65.08%
2016-17	948,636,000 [d/]	8,133,000 [d/]	956,769,000 [d/]	1,185,000	95,330,000	27.30%
2015-16	741,937,000	6,360,000	748,297,000	1,262,000	101,427,000	28.13%
2014-15	748,022,000	6,413,000	754,434,000	837,000	86,949,000	28.95%
2013-14	751,513,000	6,443,000	757,956,000	600,000	86,424,000	29.82%
2012-13	782,115,000	6,705,000	788,820,000	498,000	82,548,000	30.68%
2011-12	820,322,000	7,032,000	827,355,000	1,017,000	80,424,000	31.73%
2010-11	828,831,000	7,105,000	835,937,000	1,308,000	77,016,000	33.02%
2009-10	838,709,000	7,187,000	845,896,000	1,583,000	84,617,000	41.11%
2008-09	912,724,000	7,819,000	920,543,000	626,000	85,506,000	45.13%
2007-08	955,030,000	8,185,000	963,215,000	727,000	85,929,000	45.13%
2006-07	998,723,000	8,558,000	1,007,281,000	1,330,000	79,946,000	46.76%
2005-06	1,026,497,000	8,795,000	1,035,293,000	1,707,000	67,348,000	46.76%
2004-05	1,024,272,000	8,778,000	1,033,051,000	1,653,000	58,441,000	46.76%
2003-04	1,021,366,000	8,755,000	1,030,121,000	4,721,000	44,166,000	46.76%
2002-03	1,031,772,000	8,845,000	1,040,617,000	13,248,000	40,996,000	48.89%
2001-02	1,067,004,000	9,146,000	1,076,150,000	10,774,000	50,037,000	52.65% [e/]
2000-01	1,110,692,000	9,503,000	1,120,195,000	8,741,000	52,834,000	54.89%
1999-00	1,166,880,000	9,980,000	1,176,859,000	9,413,000	66,884,000	66.50%
1998-99	841,911,000 [f/]	7,206,000	849,117,000	6,808,000	42,137,000 [g/]	61.53% [g/]
1997-98	612,066,000	5,244,000	617,309,000	5,448,000	39,617,000	29.37%
1996-97	629,579,000	5,394,000	634,973,000	5,060,000	41,590,000	30.38%
1995-96	639,030,000	5,469,000	644,499,000	6,193,000	32,788,000	31.20%
1994-95	656,923,000	5,628,000	662,551,000	11,159,000	28,460,000	31.20%
1993-94	647,993,000 [h/]	5,553,000	653,546,000	8,353,000	19,773,000	23.03%
1992-93	667,479,000	5,715,000	673,195,000	9,138,000	21,480,000	26.82%
1991-92	711,275,000	6,086,000	717,362,000	7,791,000	22,016,000	29.35%
1990-91	729,612,000	6,242,000	735,854,000	7,904,000	24,064,000	34.17%
1989-90	770,042,000 [i/]	6,581,000	776,623,000	11,615,000	24,956,000 [h/]	37.47%
1988-89	499,712,000 [i/]	4,273,000	503,984,000	4,968,000	9,994,000 [h/]	41.67%
1987-88	254,869,000	2,180,000	257,049,000	2,970,000		
1986-87	257,337,000	2,202,000	259,539,000	2,661,000		
1985-86	260,960,000	2,231,000	263,190,000	2,834,000		
1984-85	265,070,000	2,267,000	267,337,000	2,390,000		
1983-84	265,265,000	2,267,000	267,532,000	2,756,000		
1982-83	273,748,000	2,336,000	276,084,000	2,060,000		
1981-82	278,667,000	2,383,000	281,050,000	1,843,000		
1980-81	280,087,000	2,395,000	282,482,000	1,567,000		
1979-80	272,119,000	2,327,000	274,446,000	1,645,000		
1978-79	270,658,000	2,315,000	272,973,000	1,408,000		
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		

(In thousands of dollars)

Fiscal year	Cigarette tax Revenue a/	Distributors' discounts b/	Gross value of tax indicia c/	Refunds	Other tobacco products surtax Revenue	Rate
1970-71	240,372,000	2,058,000	242,430,000	552,000		
1969-70	237,220,000	2,032,000	239,253,000	455,000		
1968-69	238,836,000	2,046,000	240,882,000	492,000		
1967-68	208,125,000 /j	1,862,000	209,987,000	328,000		
1966-67	75,659,000	1,543,000	77,202,000	129,000		
1965-66	74,880,000	1,528,000	76,407,000	88,000		
1964-65	74,487,000	1,520,000	76,007,000	61,000		
1963-64	71,530,000	1,459,000	72,989,000	71,000		
1962-63	70,829,000	1,445,000	72,274,000	79,000		
1961-62	68,203,000	1,390,000	69,593,000	47,000		
1960-61	66,051,000 /k	1,675,000 /l	67,726,000	76,000		
1959-60	61,791,000 /m	767,000 /m	62,558,000	67,000		

Source:
https://www.cdtfa.ca.gov/DataPortal/dataset.htm?url=CigTaxSurTaxRev

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

Footnotes

a. Net of refunds for tax indicia on cigarettes that become unfit for use (See Refunds).
b. A discount of .85 percent of gross value of tax indicia is granted to distributors for affixing the stamps. From July 1, 1960, until August 1, 1967, the discount rate was 2
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

Demographic Data

	2016 (1)	2017 (1)	2018 (1)	2019 (1)	2020 (1)*	2021 (1)	2022 (1)	2023 (1)	2024 (1)	2025 (1)
Total Population	10,215,207	10,261,736	10,278,836	10,324,698	10,257,557	9,905,214	9,792,167	9,750,065	9,822,800	9,853,435
White	2,734,611	2,732,047	2,722,365	2,724,168	2,637,825	2,522,938	2,494,151	2,483,423	2,846,712	2,840,100
Black	831,614	831,069	828,565	832,355	833,261	786,999	778,033	774,678	815,871	806,920
American Indian	20,093	20,175	20,229	20,410	29,994	18,587	18,372	18,288	20,870	20,915
Asian	1,385,913	1,393,055	1,395,155	1,395,377	1,646,804	1,489,534	1,472,534	1,466,206	1,726,361	1,734,349
Native Hawaiian & Other Pacific Islander	24,289	24,403	24,476	24,597	23,806	21,810	21,565	21,481	25,499	25,682
Hispanic or Latino	5,015,652	5,054,516	5,078,483	5,114,541	4,877,565	4,840,349	4,785,108	4,764,535	4,045,154	4,082,114
Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Multi-race	203,035	206,471	209,563	209,563	208,302	224,997	222,404	221,454	342,333	343,355
Female	5,175,095	5,201,009	5,210,549	5,232,284	5,194,651	5,005,021	4,948,330	4,922,159	5,044,769	5,067,589
Male	5,040,112	5,060,727	5,068,287	5,092,414	5,062,906	4,900,193	4,843,837	4,827,906	4,778,031	4,785,846
Under 5 years	634,158	624,988	607,092	587,690	568,989	524,909	497,458	478,251	472,670	459,877
5-9 years	644,771	640,576	636,547	637,200	634,122	625,597	611,410	587,750	551,591	543,705
10-14 years	629,523	634,291	637,463	638,667	632,785	645,660	636,085	629,368	573,184	579,048
15-19 years	713,861	697,383	692,400	691,590	682,645	631,074	619,013	616,541	671,257	680,363
20-24 years	810,493	802,622	786,678	773,665	771,182	756,783	732,494	758,465	603,166	632,349
25-29 years	666,490	676,732	691,365	706,231	705,970	769,883	764,486	740,388	562,329	529,602
30-39 years	1,440,568	1,431,051	1,413,067	1,397,968	1,423,634	1,301,748	1,294,719	1,307,866	1,580,471	1,551,519
40-49 years	1,414,860	1,413,542	1,406,380	1,400,493	1,351,616	1,216,875	1,200,619	1,189,077	1,330,802	1,332,252
50-59 years	1,348,247	1,354,647	1,355,259	1,362,848	1,333,654	1,196,497	1,177,315	1,159,178	1,261,946	1,242,238
60-69 years	1,016,812	1,048,181	1,075,050	1,104,938	1,100,157	1,116,402	1,106,062	1,096,186	1,117,275	1,139,357
70-79 years	546,827	579,910	611,339	643,520	657,221	702,462	725,234	748,560	708,382	751,843
80+ years	348,597	357,813	366,196	379,888	395,582	417,324	427,272	438,435	389,727	411,282

Source:
(1) State of California, Department of Finance, Population Projections for California and Its Counties 2020-2070. Sacramento, CA, March 2026.

Economic Data

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
LA County Personal Income	$ 563,907,868	$ 593,741,110	$ 628,808,732	$ 653,482,910	$ 678,829,092	$ 728,772,915	$ 720,740,528	$ 756,659,481	$ 818,509,319	$ -
LA County Per Capita Personal Income	55,624	58,419	62,224	65,094	68,272	74,141	74,142	78,302	83,888	-
California Personal Income	2,212,691,221	2,303,870,496	2,475,727,500	2,632,279,800	2,814,010,800	2,997,205,600	3,018,471,000	3,133,678,900	3,372,090,500	3,585,890,900
California Per Capita Personal Income	56,374	58,272	62,586	66,745	71,480	76,386	77,339	80,423	85,518	91,116
United States Personal Income	15,913,777,000	16,413,550,863	17,572,929,100	18,551,503,000	19,690,964,000	21,056,621,900	21,777,200,000	22,952,028,300	24,669,308,000	26,099,930,000
United States Per Capita Personal Income	49,204	50,392	53,712	49,763	52,992	63,444	76,326	68,531	63,589	66,871

Source:
Bureau of Economic Analysis: http://www.bea.gov/iTable
Personal income data are shown in thousands of dollars; per capita income data are shown in dollars.
**2025 economic data is not yet available for Los Angeles County*

Unemployment Rate

2016 - 2025

Area	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
United States	4.3%	4.1%	3.6%	3.6%	5.3%	8.1%	3.7%	3.7%	4.4%	4.3%
California	5.5%	5.3%	4.8%	4.2%	7.3%	10.1%	4.0%	4.2%	4.8%	4.7%
Los Angeles County	5.7%	5.4%	5.0%	4.5%	8.2%	12.8%	4.0%	4.6%	4.7%	4.6%

Source:

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

	June 30, 2025			June 30, 2016		
Industry	**Number of Employees**	**Rank**	**Percentage of Total**	**Number of Employees**	**Rank**	**Percentage of Total**
Educational & Health Services	1,007,200	1	21.87%	761,900	2	17.37%
Trade, Transportation & Utilities	802,500	2	17.43%	825,300	1	18.82%
Professional & Business Services	644,800	3	14.00%	600,300	3	13.69%
Government	609,400	4	13.23%	578,300	4	13.19%
Leisure & Hospitality	542,200	5	11.77%	513,000	5	11.70%
Manufacturing	297,200	6	6.45%	363,100	6	8.28%
Information	202,600	7	4.40%	219,700	8	5.01%
Financial Activities	189,900	8	4.12%	230,500	7	5.26%
Other Services	156,500	9	3.40%	152,600	9	3.48%
Construction	146,400	10	3.18%	133,200	10	3.04%
Sub-total Ten Largest Industries	4,598,700		99.86%	4,377,900		99.82%
All Other Industries	6,600		0.14%	8,000		0.18%
Total Industries	4,605,300		100.00%	4,385,900		100.00%

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

Source:
County of Los Angeles Annual Comprehensive Financial Report for the year ended June 30, 2025:
Annual-Comprehensive-Financial-Report-FY-2024-2025.pdf

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

Authorized Positions by Function

2017 - 2026

Functional Area	2026 (10)	2025 (9)	2024 (8)	2023 (7)	2022 (6)	2021 (5)	2020 (4)	2019 (3)	2018 (2)	2017 (1)
Executive	2	2	6	6	7	6	8	8	7	8
Administration	25	25	33	34	34	34	32	32	30	38
Programs	68	78	78	79	79	80	108	108	111	107
Total	**95**	**105**	**117**	**120**	**120**	**120**	**148**	**148**	**148**	**153**

Source:

(1) First 5 LA Approved FY 2016-17 Operating Budget
(2) First 5 LA Approved FY 2017-18 Operating Budget
(3) First 5 LA Approved FY 2018-19 Operating Budget
(4) First 5 LA Approved FY 2019-20 Operating Budget
(5) First 5 LA Approved FY 2020-21 Operating Budget
(6) First 5 LA Approved FY 2021-22 Operating Budget
(7) First 5 LA Approved FY 2022-23 Operating Budget
(8) First 5 LA Approved FY 2023-24 Operating Budget
(9) First 5 LA Approved FY 2024-25 Operating Budget
(10 First 5 LA Approved FY 2025-26 Operating Budget

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and the general fund of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission), a component unit of the County of Los Angeles, California, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated [DATE].

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2026-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Responses as item 2026-001.

The Commission's Response to Findings

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

Purpose of this Report

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

Ontario, California
DATE

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

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

Report on Compliance

Opinion

We have audited the Los Angeles County Children and Families First – Proposition 10 Commission's (Commission), a component unit of the County of Los Angeles, California, compliance with the requirements specified in the State of California's *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2026.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2026.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the State of California's *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the First 5 Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS*, Government Auditing Standards*, and the State of California's *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5),* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California's *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Responses as item 2026-001. Our opinion on California Children and Families Program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2026-001 that we consider to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5).* Accordingly, this report is not suitable for any other purpose.

Ontario, California
DATE

2026-001 **Salaries and Benefits Policies and Procedures**
Type of Finding: Instance of Noncompliance, Significant Deficiency in Internal Control over Compliance

Criteria:

The State of California's *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)* dated September 2026, section V. State Compliance Requirements, item H. Salaries and Benefits Policies state that the county commission must adopt, in a public hearing, policies and procedures for establishing salaries and benefits for its employees. The employees' salaries and benefits policies must comply with those set forth in the commission policies or the county government policies (Health and Safety Code sections 130151[b][8] and 130140[d][6]).

The Commission's policy and guidelines for salaries, wages, merit increases and cost of living adjustments prior to November 14, 2024, required Board of Commissioner's approval of salary rates. Beginning November 14, 2024, the Board delegated this authority to the Executive Director.

Condition:

As of March 28, 2026, the Commission revised its Employee Classification Policy to include non-benefited part-time employees. However, the revised policy did not establish or approve salary rates, salary ranges, or other compensation parameters for non-benefited part-time employees. As a result, compensation for employees in this classification was not formally approved in accordance with the Commission's salaries and benefits policies. During our testing, we identified one non-benefited part-time employee whose compensation was not included in an approved salary schedule or compensation framework. This employee was paid $137,000 for the fiscal year 2025/26.

Cause:

Although the Commission updated its Employee Classification Policy on March 28, 2026, to address the classification of non-benefited part-time employees, the revised policy did not establish approved salary rates, salary ranges, or a compensation approval process for employees within this classification. Consequently, compensation for non-benefited part-time employees was not governed by an approved salary structure.

Effect:

Compensation paid to non-benefited part-time employees was not established and approved in accordance with the Commission's adopted salaries and benefits policies, resulting in noncompliance with the applicable requirements.

Recommendation:

We recommend the Commission further revise its salaries and benefits policies to establish and approve compensation rates, salary ranges, or a formal compensation methodology for non-benefited part-time employees and ensure compensation is approved by the appropriate level of authority in accordance with Commission policy.

Views of Responsible Officials and Planned Corrective Action:

The organization maintains a board-approved and Executive Director-approved salary structure that establishes guidelines for employees of First 5 LA.

The employee classification policy was updated on 3/28/2026 to address the classification of one part-time, non-benefited employee and to address this category of employee but the revised policy did not establish the salary ranges or other compensation parameters for non-benefitted part-time employees. The updated policy includes language that clearly states that non-benefited part-time employees shall be assigned to an established Commission job classification and the corresponding salary grade or level within the Commission's approved salary schedule. The updated policy was reviewed and approved by the President & CEO, who has been delegated authority by the Board to make changes to salary and benefits policies. In addition, the salary structure document will indicate that the salary ranges are for both benefited and non-benefited employees.

Finding No.	Category	Current Year Status
2025-001	Salaries and Benefits Policies and Procedures	Partially implemented – See Finding 2026-001

Item 4 - Los Angeles County Proposition 10 Commission Annual Comprehensive Financial Report for the Year Ended June 30, 2026.

Special Budget & Finance and Program and Planning Committee Meeting.

Presented by: JR Nino, Raoul Ortega & Rajinder Kumar
September 24, 2026.

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Presentation Overview

- Fiscal Year 2024-25 GFOA Award.
- Annual Comprehensive Financial Report Overview.
- Independent Auditor's Report.
- Fiscal Year 2025-26 highlights.
- 3 Year Comparisons.
- Next steps.

Government Finance Officers Association Award

- Our annual report for fiscal year 2024-25 was awarded a Certificate of Achievement for Excellence in Financial Reporting.
- 18th Consecutive Year for this award.

Annual Financial Report Overview

- Annual Comprehensive Financial Report.
  - Detailed view of the Commission’s financial position as of June 30, 2026.
  - Represents the activities and end results of operations for the fiscal year 2025-26.
  - Presentation the Commission’s overall financial condition.

Annual Financial Report Timeline

- Audit process: May 2026 through October 2026.
  - Entrance interview/planning May – 2026.
  - Fieldwork – June through August 2026.
  - Reporting – August through October 2026.
- Meetings:
  - Special Program and Planning Committee meeting–9/24/2026.
  - Board of Commission meeting – 10/08/2026.

Independent Auditor’s Report

- Clean audit:
  - The CPA firm of Eide Bailly LLP, noted that the financial statements are presented fairly.
  - Unmodified opinion.
  - Findings/Adjustments.

Independent Auditor’s Report

- Prior Year Findings 2024-25:

2025-001: Salaries and Benefit Policies and Procedures.

Type of Finding: Instance of Noncompliance, Significant Deficiency in Internal Control over Compliance.

Result 2025-001: Partially corrected.

Result 2025-001: Partially Corrected & Planned Corrective Action

Partially Corrected:

- Salaries and Benefits Policies and Procedures were updated on March 28, 2026.
- State Controller's Office notified First 5 LA in an August 20, 2026 letter that the policy did not include transparent disclosures for non-benefited part-time employees.

Planned Corrective Action:

- First 5 LA revised the policy on September 15, 2026 then met and submitted it to State Controller's Office on September 18, 2026.
- Given this recent update, this is a repeat finding for the current year 2025-26.

Independent Auditor's Report

- Current Year Findings 2025-26:

  <u>2026-001:</u> Salaries and Benefits Policies and Procedures.

- **<u>Type of Finding</u>**: Instance of Noncompliance, Significant Deficiency in Internal Control over Compliance.

- **<u>Planned Corrective Action:</u>** Salaries and Benefits Policy revised on September 15, 2026.

Independent Auditor's Report

- **Adjustments 2025-26**: There are five adjustments in the Governance letter.

  - Two are associated with governmental activities.
  - Three are associated with the general fund.

  Constraint for adjustments: All the adjustments occurred due to the timing gap between the closing of the books and the incident that happened.

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FY 2025-26 Budget Highlights

June 2025: The Board approved the FY 2025-26 total budget of $80 million:

- Program Budget = $67.3 million.
- Operating Budget = $12.7 million.

March 2026: The Board approved a revised budget with no change to $80.0 million.

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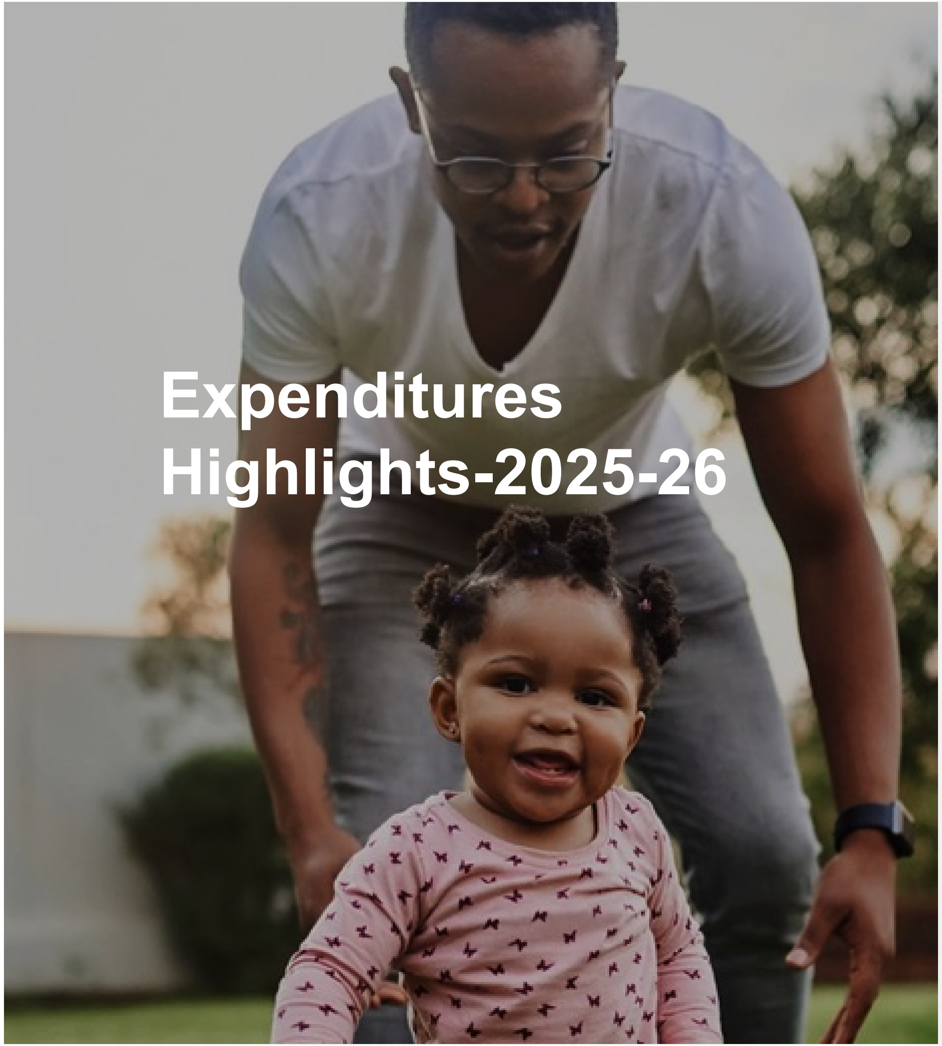
June 2026: Total revenues of $64.10 million (Statement of Activities):

- Tobacco Taxes = $33.7 million.
- Prop 56 backfill = $12.6 million.
- CA Electronic Cigarette = $443 thousand.
- Other Revenues = $17.4 million.
- Fair Value Adjustment Unrealized gain = $977 thousand.

(Other revenues include State Commission Program funds (F5CA), Local Entity Program funds, and Lease Rental Income)



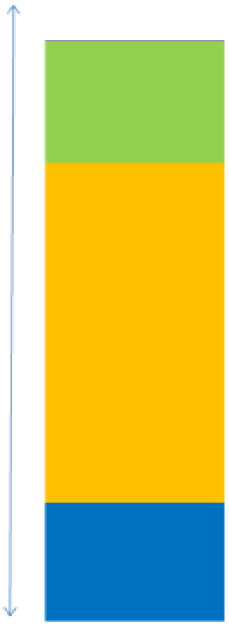
June 2026: Total expenditures of $66.7 million (Statement of Activities).

- Program Expenditures = $51.8 million.
- Program Operating Expenditures = $5.7 million.
- Administrative Expenditures = $9.2 million.

F5LA Fund Balance Constraints: 2025-26

Fund Balance as of June 30, 2026

Highest Constraint



Lowest Constraint
(As determined by Board Action)

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

Level of Constraints:

Nonspendable (\$93,584): 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)***

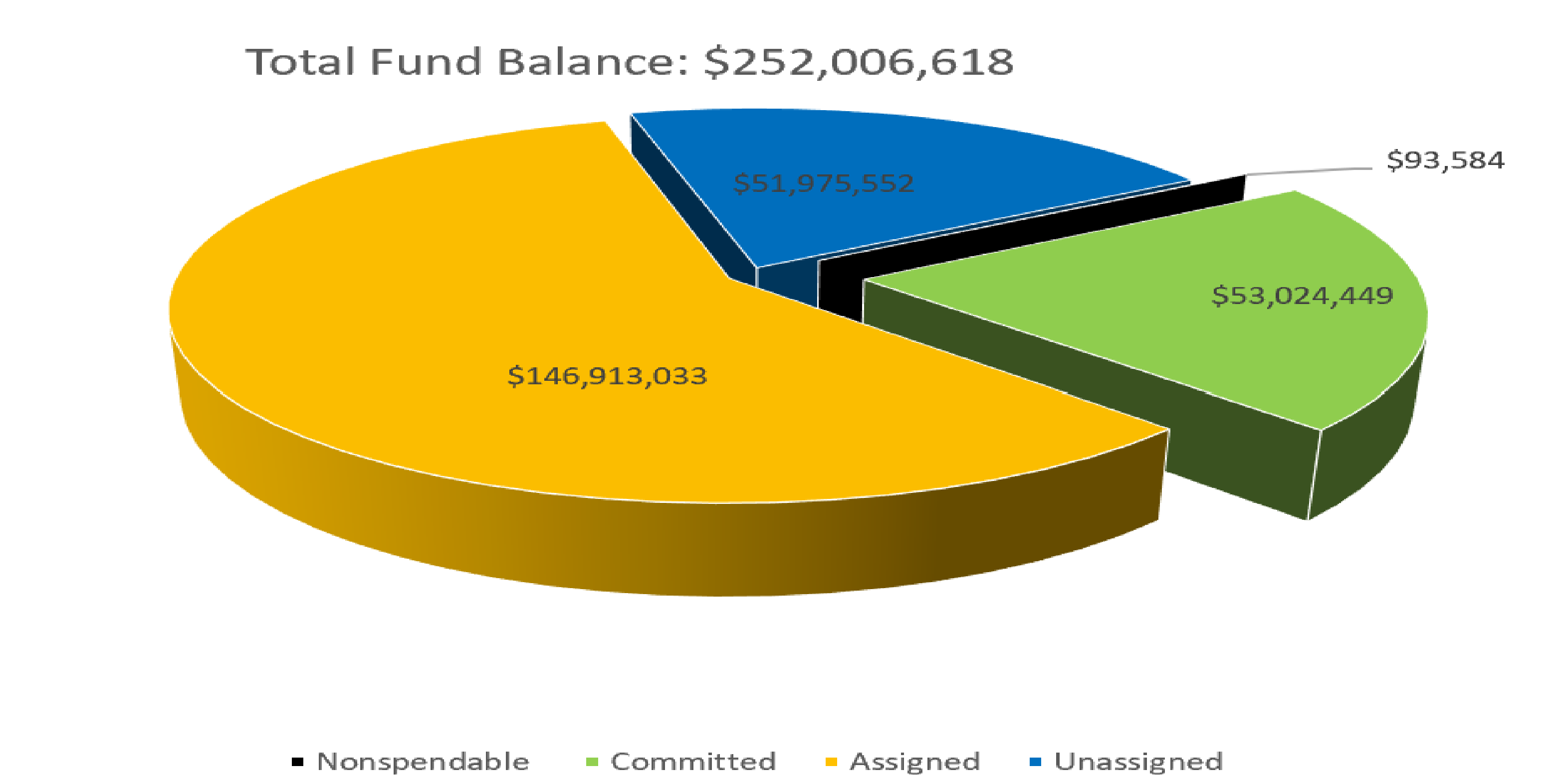
Committed (\$53,024,449): Includes all levels of constraints below Funds allocated for a specified purpose and directed by the Commission via Resolution. The Commission must adopt another Resolution to reappropriate these funds for other purposes. ***Board Action through the Budget & Audit (Fund Balance)***

Assigned (\$146,913,033): Includes the constraint below. Funds are reserved for Commission use consistent with the 2024-2029 Strategic Plan. ***Board Approved through Audit (Fund Balance)***

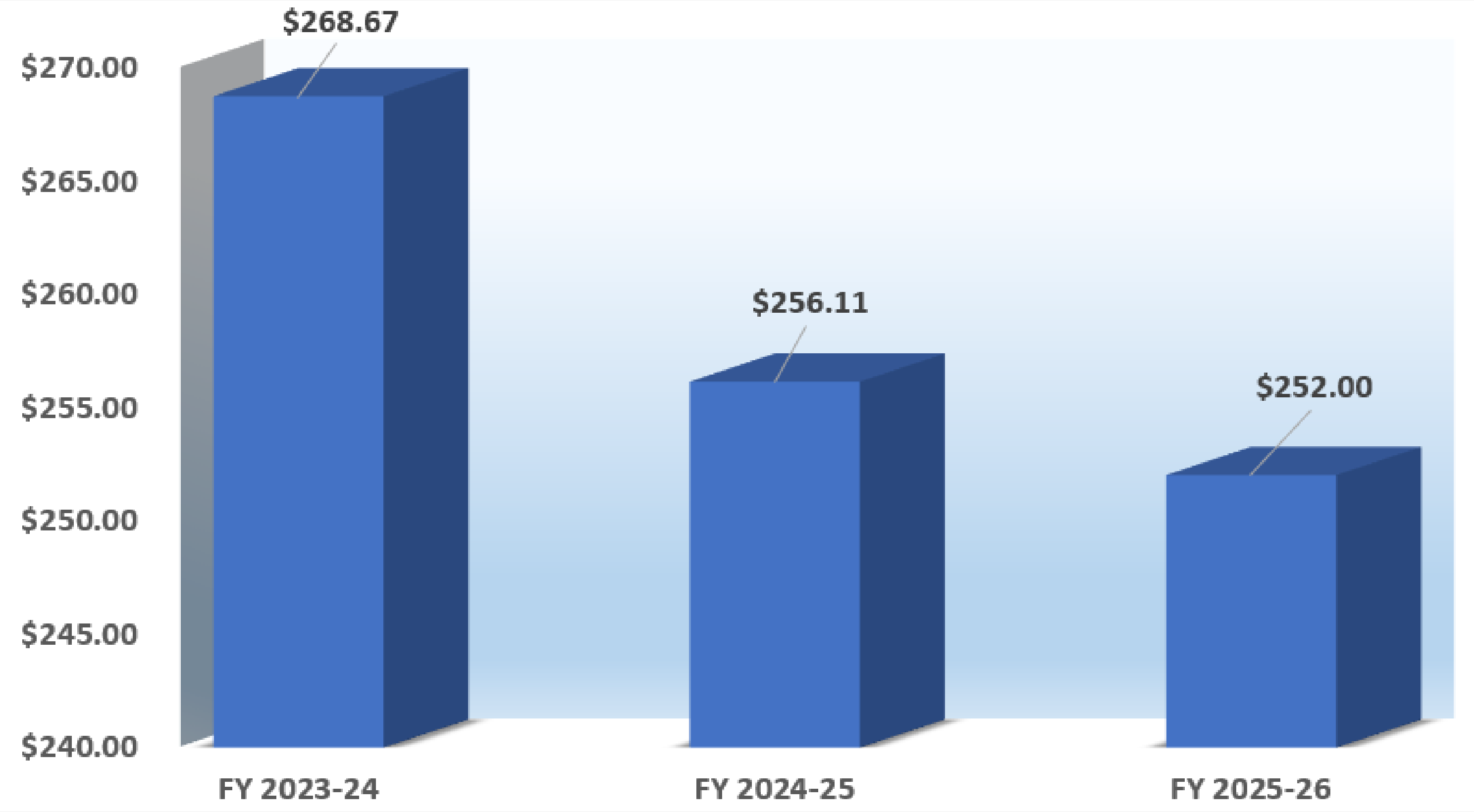
Unassigned (\$51,975,552): Funds designated for the Operating Budget and Reserve. ***Board Approved through Audit (Fund Balance)***

Total Fund Balance as of June 30, 2026 = \$252,006,618

F5LA Fund Balance: 2025-26



3 Year Comparison: Fund Balance



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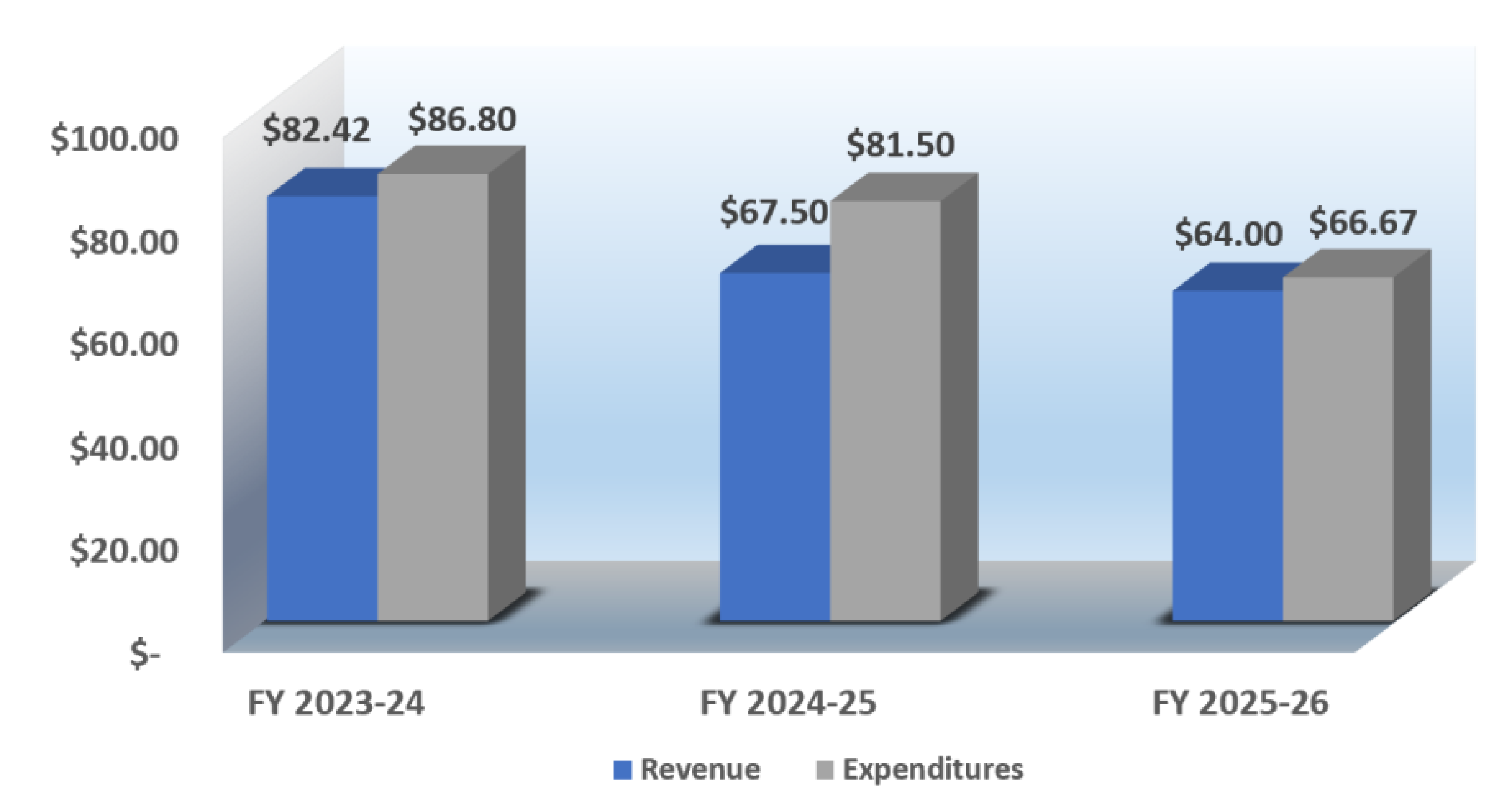
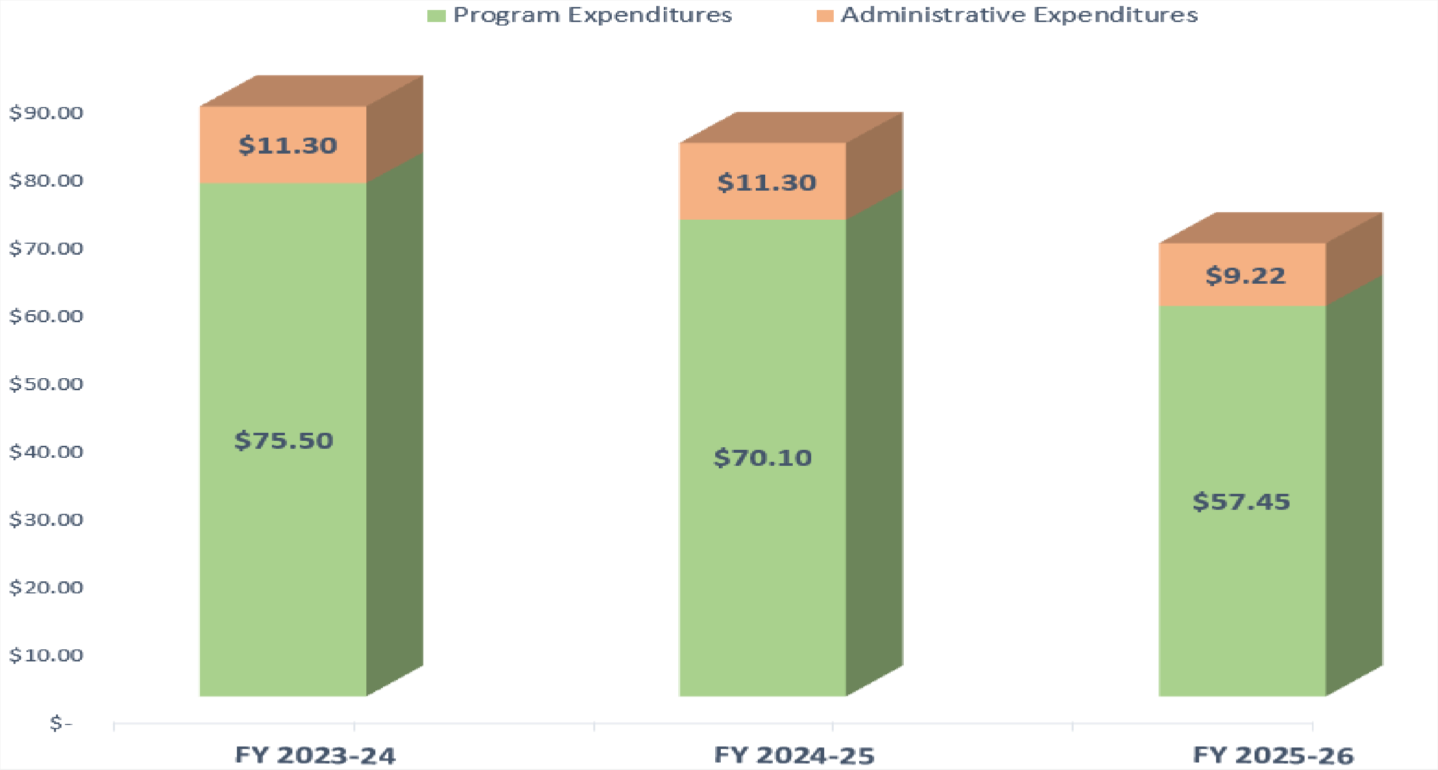
3 Year Comparison: Revenues vs. Expenditures



3 Year Comparison: Program and Administrative Expenditures



Audit Partner Overview

Roger Alfaro, Partner, Eide Bailly, LLP

Next Steps

- Board of Commission Meeting October 8, 2026 – Action.
- Submit Final Draft Annual Comprehensive Annual Report by November 1, 2026:
  - State Controller's Office.
  - First 5 California.
  - Los Angeles County Auditor-Controller’s Office.

Communication with Those Charged with Governance

First 5 LA

Fiscal Year Ended June 30, 2026

Our Responsibility in Accordance with Professional Standards

- Form and express opinions on whether the financial statements prepared by management, with the Board's oversight, are presented fairly in accordance with U.S. GAAP.
- Express an opinion as to whether F5LA complied with requirements specified in the State of California's First 5 Audit Guide.
- Obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.
- Consider internal control for the purpose of designing audit procedures, not to express an opinion on internal control effectiveness.

Eide Bailly

Summary of Draft Audit Results

Financial Statements

- Unmodified opinions on governmental activities and the General Fund

Government Auditing Standards

- No material weaknesses identified
- One significant deficiency and related instance of noncompliance

State Compliance

- Unmodified opinion on compliance with applicable First 5 requirements
- One instance of noncompliance

Management Letter

- Capital asset inventory procedures and policy update recommendation

Eide Bailly

Auditor Communications

Ethics and Independence

- We have complied with all relevant ethical requirements regarding independence.

Significant Accounting Policies

- Summary of significant accounting polices – Note 1
- Adopted GASB 103 *Financial Reporting Model Improvements*

Sensitive Estimates/Disclosures

- No sensitive estimates/disclosures

Corrected and Uncorrected Misstatements

- Uncorrected misstatements were reported.
- Management concluded the effects were immaterial, individually and in the aggregate

Significant Difficulties

- We encountered no significant difficulties in dealing with management.

Disagreements with Management

- No disagreements arose during the course of the audit.

Questions

Thank You

Roger Alfaro | Partner

909.755.2829 | ralfaro@eidebailly.com

Alternative Practice Structure Disclosure

Eide Bailly is the brand name under which Eide Bailly LLP and Eide Bailly Advisory LLC and its subsidiary entities provide professional services. Eide Bailly LLP and Eide Bailly Advisory LLC (and its respective subsidiary entities) practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Eide Bailly LLP is a licensed independent CPA firm that provides attest services to its clients. Eide Bailly Advisory LLC (and its respective subsidiary entities) provide tax and business advisory services to their clients. Eide Bailly Advisory LLC and its subsidiary entities are not licensed CPA firms.

Disclaimer

Eide Bailly

[Date]

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 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, 2026*,* and have issued our report thereon dated [Date] . Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our discussion on May 11, 2026, 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 the system 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 system of 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 and an instance of noncompliance identified during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed In Accordance with *Government Auditing Standards* dated DATE and our Independent Auditor's Report on State Compliance and Internal Control Over Compliance dated DATE.

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. As discussed in Note 1 to the financial statements, the Commission has changed accounting policies related to the presentation of certain items in the required supplementary information (RSI) to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements.* 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.

Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures 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. No such sensitive accounting estimates were identified.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no financial statements disclosures that we consider to be particularly sensitive or involve significant judgement.

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. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no corrected missstatements identified as a result of our audit procedures.

The attached schedule of uncorrected misstatements summarizes financial statements misstatements whose effect in the current period, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The effect of these uncorrected misstatements, as of and for the year ended June 30, 2026, is summarized in the attached schedule of uncorrected misstatements.

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.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated "[date of management representation letter]" .

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, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational 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.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the Commission's annual reports, does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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.

Ontario, California

Number	Opinion Unit(s)	Account	Debit	Credit
1	Governmental Activities	Beginning net position	$ 237,949	
		Tobacco taxes		$ 237,949

To adjust for the difference between the estimated June 2025 Proposition 10 allocation and actual allocation caused by the timing of the availability of information from the State of California.

Number	Opinion Unit(s)	Account	Debit	Credit
2	General Fund	Beginning net position	548,253	
		Capital outlay		548,253

To adjust beginning net position for a fiscal year 2024/25 invoice not accrued as of June 30, 2025.

Number	Opinion Unit(s)	Account	Debit	Credit
3	General Fund & Governmental Activit	Beginning net position		311,570
		Provider grants and allocations	311,570	

To adjust for the difference between the estimated fiscal year 2024/25 expenditures and actual expenditures caused by the timing of the availability of information from vendors.

Number	Opinion Unit(s)	Account	Debit	Credit
4	Governmental Activities	Beginning net position		724,119
		Salaries expense	724,119	

To adjust beginning net position for the overstatement of compensated absences liabilities as of June 30, 2025.

Number	Opinion Unit(s)	Account	Debit	Credit
5	General Fund & Governmental Activit	Lease Receivable		898,218
		Deferred Inflow of Resources - Leases	862,489	
		Lease Revenue	35,729	

To adjust the lease receivable, related deferred inflow of resources, and the lease revenue for estimated nonlease components included in contractual lease payments.

Management Letter
For Fiscal Year Ended June 30, 2026

Los Angeles County Children and Families First – Proposition 10 Commission

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

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

In planning and performing our audit of the financial statements of the Los Angeles County Children and Families First – Proposition 10 Commission (Commission) as of and for the year ended June 30, 2026, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

During our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses that are opportunities for strengthening internal controls and operating efficiency. The observations and recommendations are summarized below. This letter does not affect our report dated REPORT DATE, on the financial statements of the Commission.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Commission personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

CURRENT YEAR OBSERVATIONS AND RECOMMENDATIONS

Capital Asset Inventory Procedures

Observation:

During our review of capital asset processes, we noted the Commission does not perform a periodic physical inventory of computers and other technology equipment. While the Facilities and Information Technology (IT) Departments are responsible for monitoring physical movement of assets and identifying assets for disposals, and the Finance Department is responsible for maintaining capital asset records and performing annual reconciliations to the general ledger, a documented physical inventory to verify the continued existence of assets recorded in the capital asset subsidiary records has not been performed.

In addition, the Commission's capital asset policy has not been updated in several years.

Implementing a formal, periodic physical inventory process strengthens the Commission's ability to safeguard technology assets and demonstrate effective stewardship of public funds. Regular verification of recorded assets helps ensure that the capital asset ledger remains complete, accurate, and up to date by identifying assets that have been disposed of, become obsolete, or are no longer in service. In addition, a documented inventory process enhances accountability for public resources, supports informed asset management decisions, and reduces the risk of loss or misappropriation going undetected.

Maintaining a current capital asset policy strengthens the Commission's stewardship of public funds by ensuring that capital asset accounting practices reflect current accounting guidance and the Commission's evolving operational environment. A comprehensive policy provides a framework for consistent capitalization, inventory, and disposal practices, improving the accuracy and reliability of asset records. Periodic reassessment of capitalization thresholds can also help balance accountability and administrative efficiency by focusing resources on assets that warrant ongoing tracking and oversight.

Recommendation:

We recommend that the Commission establish and document a periodic physical inventory process for computers and other technology equipment. Inventory results should be reconciled to the capital asset records, and any missing, disposed, or obsolete assets should be investigated and removed from the accounting records as appropriate.

We also recommend that management update its capital asset policy to ensure it reflects current GASB requirements, including lease accounting guidance. Further, management should review it's current capitalization threshold based on the Commission's operations, asset population, and financial reporting needs. Implementing these recommendations would strengthen internal controls over capital assets, promote consistent application of accounting guidance, and improve the reliability and accuracy of asset records.

Management's Response:

Management concurs with the recommendation. The Commission will establish and document a periodic physical inventory process for computers and other technology equipment and reconcile the results to the capital asset records. Any discrepancies including missing, disposed, or obsolete assets will be investigated and removed from accounting records as needed.

Management also agrees that the Commission's capital asset policy should be updated to reflect current GASB accounting and operational requirements. The current capitalization threshold will be reviewed based on the Commission's asset portfolio and reporting needs as part of this policy update.

PRIOR YEAR MANAGEMENT LETTER COMMENTS

Inactive Employees

Status: Implemented.

****

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Commission gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

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

Ontario, California
DATE

Home Visiting Long-Term Vision

- *Aurea Montes-Rodriguez, Vice President of Community Engagement and Policy, First 5 LA*
- *Diana Careaga, Director of Family Supports, First 5 LA*

Program and Planning Committee
September 24, 2026

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RESULTS BASED ACCOUNTABILITY FRAMEWORK

Guiding Our Home Visiting Investment

1 RESULTS
What outcomes are we trying to improve?

RESULT

Every child is born healthy and thrives in a nurturing, safe and loving community.

OBJECTIVES (Strategic Plan)

1. Reduce #s of death of children under one years old
2. Reduce poverty
3. Reduce housing insecurity
4. Increase maternal mental health care
5. Increase access to healthy food
6. Increase access to parks and open space
7. Increase ECE access
8. Increase access to early intervention services
9. Increase culturally affirming services

TARGET

Targeted Universalism – Use of Equity Index

2 KEY FACTORS/ ROOT CAUSES
What factors most influence those outcomes?

KEY FACTORS/ROOT CAUSES – CONDITIONS

The underlying conditions or barriers that most influence outcomes for families with young children.

(Board will hear examples during the presentation.)

3 STRATEGIES
What strategies are most likely to make a meaningful difference?

STRATEGIES

The highest-value role Home Visiting should play to influence key factors and advance our outcomes.

1. Public Policy: Catalyze public policy efforts at the local, state, and federal levels that prioritize the needs of children prenatal to age 5 and their families
2. Systems Change: Collaborate with partners to strengthen public systems, services and supports for children prenatal to age 5 and their families
3. Communities: Partner with communities to collaboravitely grow a social movement that elevates the needs of children prenatal to age 5 and their families

4 MEASURE & LEARN
How will we measure progress and learn over time?

PERFORMANCE MEASURES (EXAMPLES)

Evidence that shows we are making a difference for families and influencing systems.

- FAMILY OUTCOMES
- SERVICE QUALITY & ENGAGEMENT
- SYSTEMS IMPACT & UPTAKE
- EQUITY & REACH OF IMPACT
- COST & RESOURCE STEWARDSHIP

First 5 LA: Home Visiting

Home Visiting Long-Term Vision:

- Maximize impact for children and families with the greatest needs, aligned with First 5 LA's Strategic Plan
- Right-size the home visiting investment for long-term sustainability, while preserving the greatest opportunity to improve outcomes and advance systems change.

- Previous Board touchpoints throughout year have provided:
  - Foundational information on the investment, landscape, program model deep dive, and sustainability strategies
  - Considerations for the long-term vision, such as alignment to the Strategic Plan, sustainability levers, partner engagement, and Welcome Baby model adjustments

Key Decision Today:

- Present three options for discussion and seek endorsement of one option to advance to Board in October

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First 5 LA: Home Visiting

What would show success five years from now? (Previous Board responses)

- Acknowledge the strengths, gaps and limitations in First 5 LA's current model
- Outcomes – define key measures and focus on data to understand long-term outcomes and impact
- Tracking Referrals and Needs Met
  - "Closed loop referrals" – tracking long-term outcomes and needs met
- Focus on serving high need families (Targeted Universalism)
- Consideration for universal approaches – help enhance accessibility and reach

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First 5 LA: Home Visiting

What would show success five years from now, continued:

- Focus on Priority populations and support for reach and engagement
- Identify concretely what is changing in model(s) that allows us to reach families
- Funding support: work in partnership, assess leveraging opportunities (sustainability levers)

Implications of long-term vision:

- Will influence scale, scope of program models and infrastructure
- Given fiscal reality, only one option can be pursued
- Learnings and data will inform the evolution of the F5 LA's investments over time, as well as its advocacy and systems change efforts at the local, state and federal levels

First 5 LA: Home Visiting

Grounding on Current State FY 26-27:

- Three Program Models:
  - Welcome Baby: 9 contracts
  - SHV (HFA, PAT): 9 contracts
- Two Infrastructure components: Oversight Entity and Database

- Types of Entities Involved in Implementation:
  - Welcome Baby: 7 hospitals, 4 Community Based Organization's
  - SHV: 9 Community Based Organization's

Investment	Serving Capacity	FY 26-27 Budget
Welcome Baby (9 sites)	11,220	$14,078,295
Healthy Families America (6 sites)	390	$10,476,976
Parents As Teachers (5 sites)	640	
Oversight Entity	---	$3,022,375
Stronger Families Database	----	$664,500
TOTAL	12,250	***$28,242,146***

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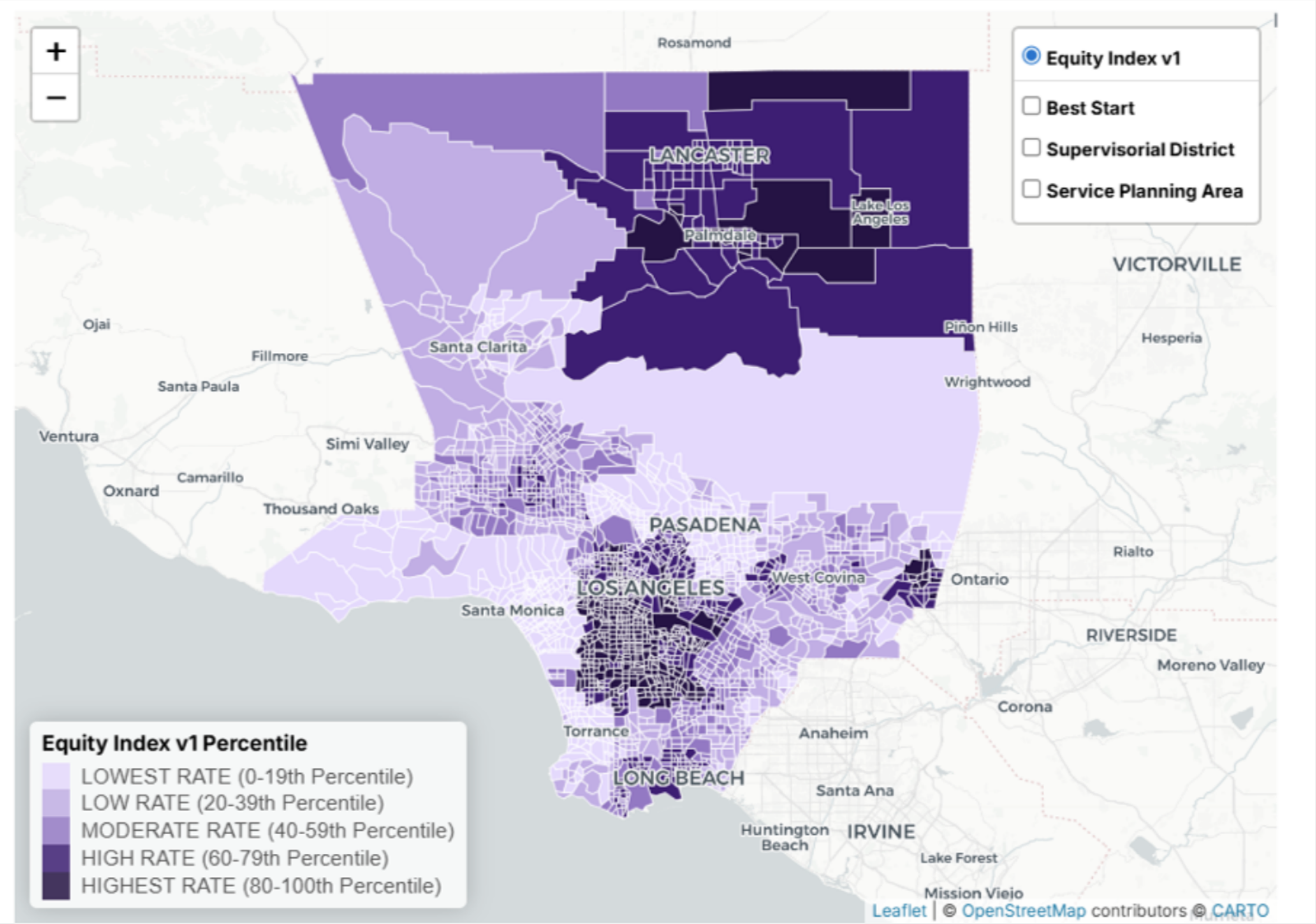
Equity Index and Birth Data

Equity Index and Birth Data

Building Brighter Futures Equity Index

- The Equity Index measures structural inequities in conditions of well-being identified in our Strategic Plan

- It highlights areas of high need—those with larger populations of children 0-5 (see map)



Source: Catalyst CA

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Equity Index and Birth Data

- Community needs have shifted in past decade
- Initial question transformed from: ‘what hospitals are in high need areas’ to ‘where are families from high need areas delivering now?’
- Addressing birth disparities transcends geography
- Collaboration with Department of Public Health: provided data for LA County hospital births broken down by High Need Areas in Equity Index

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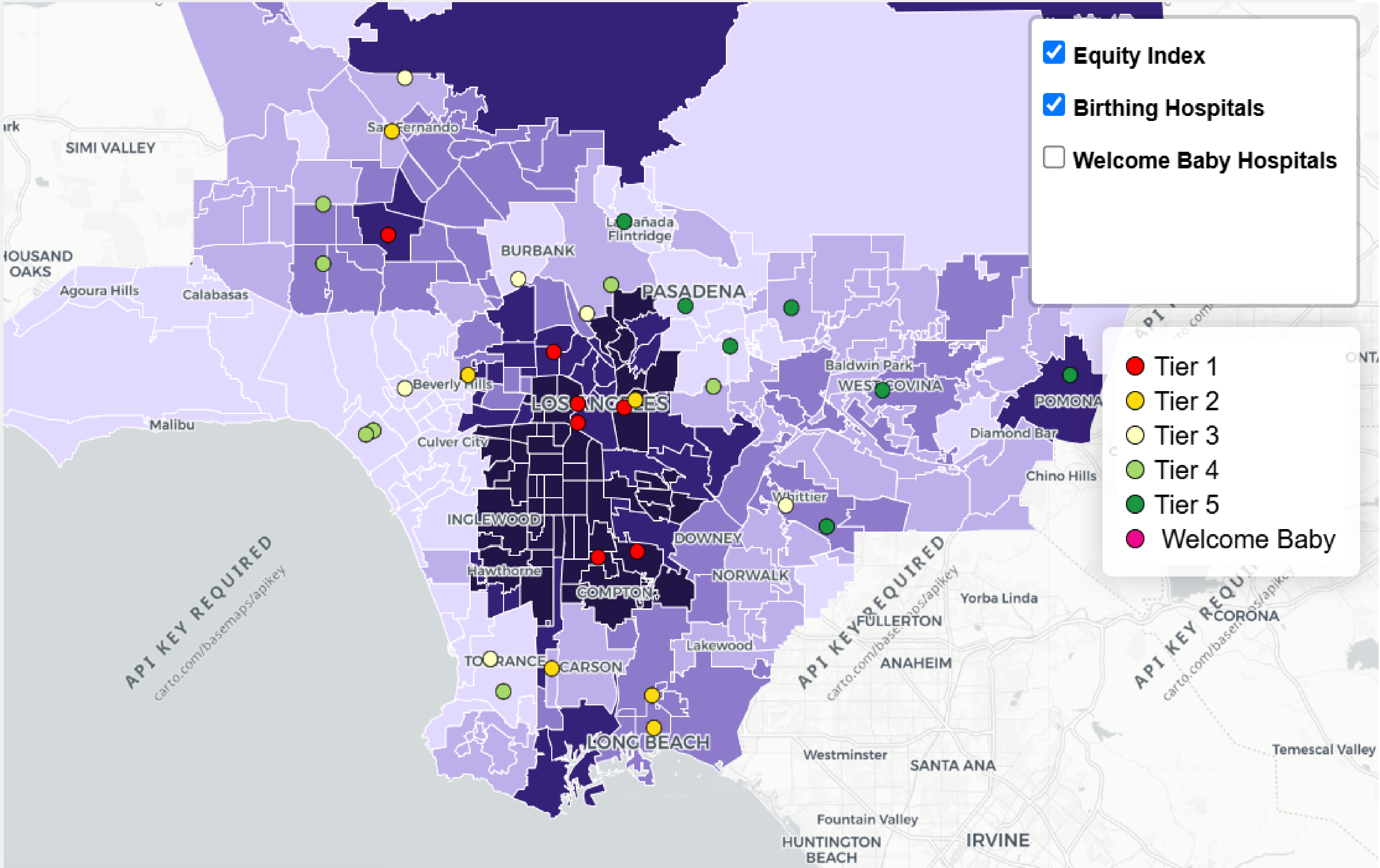
Equity Index and Birth Data

- Map highlights birthing hospitals, WB hospitals and High Need Areas per Equity Index
- Tiers: ranked hospitals with 1 serving highest need and 5 serving lowest need
- Tiers are represented by color. For example, red dots represent hospitals where families with highest needs are delivering (Tier 1)



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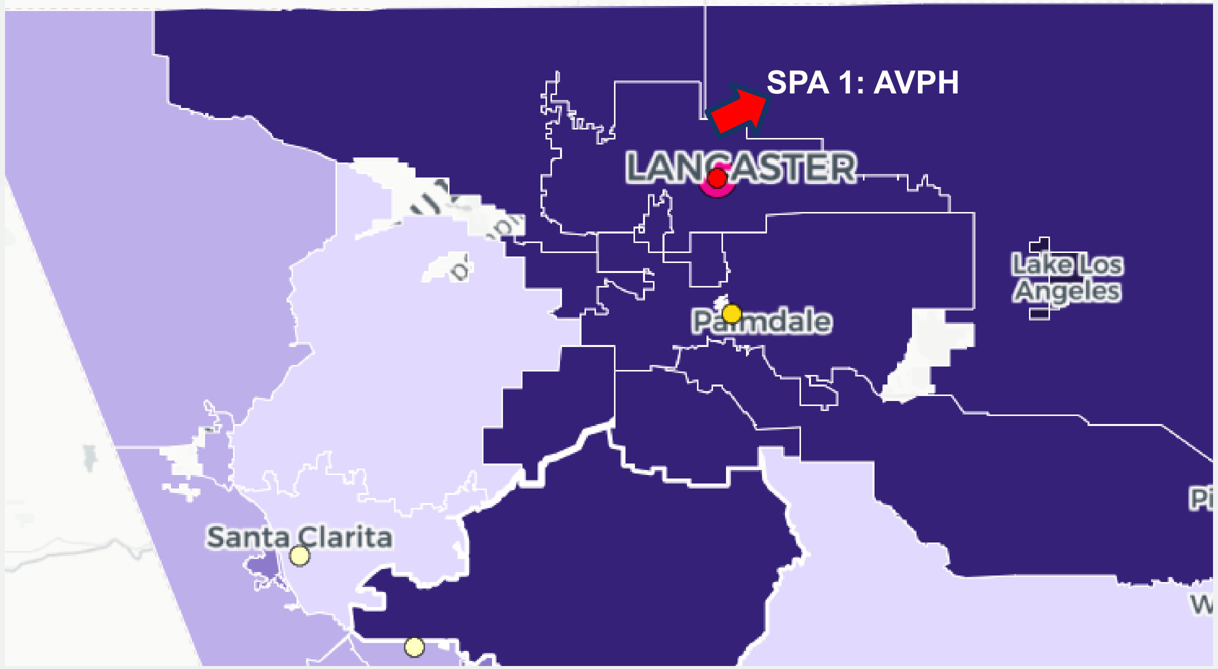
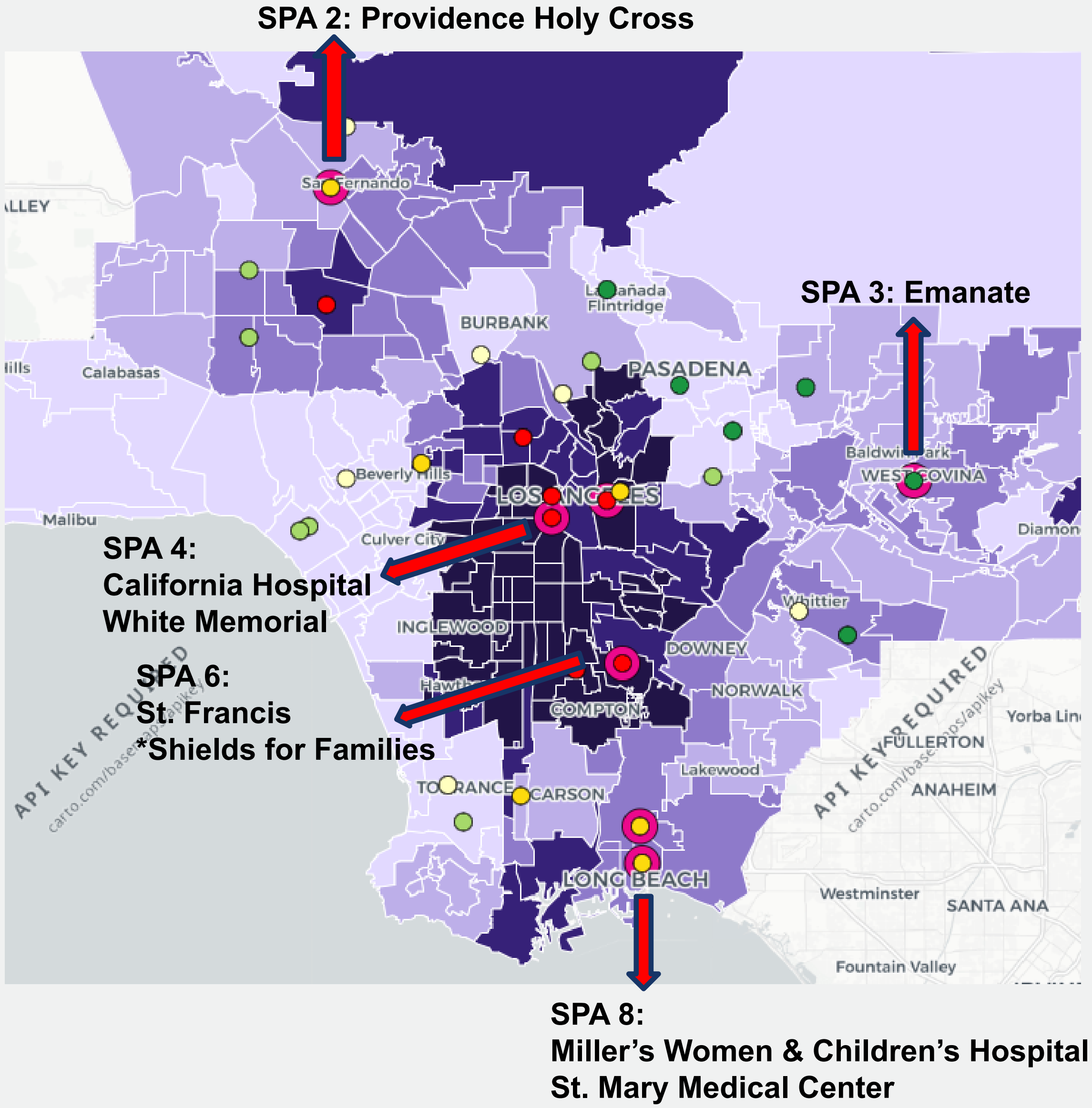
Equity Index and Birth Data

- Map highlights which ones are current Welcome Baby hospitals (circled in red)
  - Tier 1: AVPH, California Hospital, St. Francis, White Memorial
  - Tier 2: Providence Holy Cross, Miller Hospital, St. Mary's
  - Tier 5: Emanate





Home Visiting Options

Home Visiting Options

- There are common activities recommended across all three options:
  - Tracking and Improving Long-Term Outcomes
    - Database Modifications: Create standardized data collection points over time to assess if needs met (not just initial service linkage), with specific focus on key referrals with Strategic Plan objectives: maternal mental health, early intervention, and basic needs
    - Enhance home visitor protocols to support linkage support, such as scheduling, warm hand-off, 30-day follow-up, and troubleshooting
    - Collaboration to leverage Data Lake and produce bi-annual Data Reports on countywide family needs, system gaps and challenges to inform County prevention efforts
    - Continue and deepen coordination with DPH's Unified Billing System to maximize use of resources where possible

Home Visiting Options

- Common activities recommended across all three Pathways, continued:
  - Priority populations will be eligible for enrollment regardless of geographic area: Black/African-American, Pregnant Youth, Transition Age Youth, Native Hawaiian/Pacific Islander and American Indian/Alaska Native, housing insecure, and those at risk of child welfare involvement
  - Managed Care Plan Coordination
    - Continue coordination with Managed Care Plans in support of accountability and improved outcomes at the local and State level
  - Advocacy at local, State and Federal level
    - Use learnings from external leveraging funding sources to inform applicable local, State and Federal policy and advocacy efforts

Home Visiting Options

- Based on Board input and with focus on results and strategies, three options are being presented for discussion, with one to be ultimately selected for the long-term vision:

Option	The Value Add	Program Models
1: Welcome Baby Evidence-Based Model	**Prove and Diversify:** Generate evidence, unlock non-F5LA $, broad, universal touchpoint.	Welcome Baby
2: Select Home Visiting Model for Highest Need Families	**Deepen & Specialize:** Fewer families with higher intensity/dosage, added clinical capacity (Mental Health clinician) to facilitate access for families needing mental health support, early intervention services, and basic needs.	Healthy Families America Parents As Teachers
3: No Wrong Door Triage Model	**Connect & Triage:** Universal front door in highest need/highest birth neighborhoods with need-based routing across all three models and leveraging of referral pathways, not one model doing everything.	Welcome Baby Healthy Families America Parents As Teachers

- Given the fiscal reality, it is not possible to pursue all of the options

1 RESULTS

What outcomes are we trying to improve?

RESULT	OBJECTIVES (Strategic Plan)	TARGET
Every child is born healthy and thrives in a nurturing, safe and loving community.	1. Reduce #s of death of children under one years old 2. Reduce poverty 3. Reduce housing insecurity 4. Increase maternal mental health care 5. Increase access to healthy food 6. Increase access to parks and open space 7. Increase ECE access 8. Increase access to early intervention services 9. Increase culturally affirming services	Targeted Universalism – Use of Equity Index

Option # 1: Welcome Baby Evidence-Based Model

2 FACTOR ANALYSIS

What factors most influence those outcomes?

- **System navigation** is complex and limits linkage to services.
- **Insufficient implementation of required screenings** in healthcare settings
- **Systemic practices** root in lack of culturally affirming care, anti-black practices and racism.
- **Stigma** of receiving services

3 STRATEGIES

What strategies are most likely to make a meaningful difference?

STRATEGIES

Highest value role First 5 LA should play to influence key factors and advance our outcomes

Policy Change:

- Utilize findings to engage State/ Federal stakeholders to establish evidence-base and seek non-F5LA and diversified funding
- Leverage findings, learning, and advocacy to inform prevention efforts to effectively address family needs and close system gaps.

Systems Change:

- Improve connections to services and tracking of outcomes through use of data and workforce support.

4 EVALUATION

How will we measure progress and learn over time?

EVALUATION – WHAT DO WE WANT TO MEASURE?

OUTCOMES	SERVICE QUALITY & ENGAGEMENT	SYSTEMS IMPACT & UPTAKE	EQUITY & REACH OF IMPACT	COST & RESOURCE STEWARDSHIP
What changes do we want to see for children and families?	How well are services meeting needs?	How are systems improving and adapting?	Who are we reaching and how are we advancing equity?	Are we using resources effectively and sustainably?

Home Visiting Pathways Option # 1

Model: Welcome Baby
Potential Funding Lever: CHW
Estimated # Families Served: 7,300

Welcome Baby Evidence-Based Model

- Challenge being addressed:
  - Despite positive and significant results from early Welcome Baby evaluations, lack the 'gold standard' randomized clinical trial results to establish evidence of effectiveness and qualify for State/Federal home visiting funding

- Description of Approach:
  - Modify Welcome Baby to implement Prenatal to 3-4 Month Visit
  - Implementation of a Randomized Control Trial (RCT), gold standard to establish evidence of effectiveness
  - Develop enhanced referral pathway from hospital visit to HFA/PAT sites across funding streams
  - Modify protocols to provide follow-up to support linkages for key referrals, including those provided at 3-4 Month Visit
  - Workforce training and preparation to support engagement of priority populations and provision of culturally affirming care.

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Home Visiting Pathways Option # 1

Model: Welcome Baby

Welcome Baby Evidence-Based Model

- Contribution to System:
  - Capacity to connect to families at a common touch point with broad access (hospital visit) and triage with validated risk assessment tool to the appropriate level of postpartum support
  - Increase trust and decrease stigma of home visiting services
  - Serve as bridge for high-need families that initially decline longer-term program services

- What would be different in 5 years:
  - Invested F5LA funds to establish Welcome Baby as evidence-based with goal of diversified State/Federal funding
  - Application of targeted universalism – families triaged and connected to the right level of postpartum support
  - Increased engagement of priority populations
  - Strengthened connections to services for improved Family/Child Outcomes
  - Strengthened workforce preparation and delivery of culturally affirming care

Welcome Baby Evidence-Based Model: Option 1

STRATEGY: Policy change – Establish evidence-base to increase funding

QUANTITY

EFFORT

How much did we do?

- # families reached prenatally and/or at hospital touchpoint
- # families receiving warm handoffs for key referrals

EFFECT

How many were better off?

- # families reporting increased trust/confidence navigating supports
- # of families attending well visits

QUALITY

EFFORT

How well did we do it?

- % priority-population families enrolled
- % receiving screenings
- % key referrals with warm handoff
- % sites meeting modified Welcome Baby/evidence fidelity standards

EFFECT

What % were better off?

- % families showing improvement on maternal and infant well-being
- % children/families with identified key needs resolved (mental health, early intervention, basic needs)

RBA emphasis: upper quadrants track what F5LA and partners can directly manage; lower quadrants focus on proximal changes plausibly attributable to the selected strategy.

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1 RESULTS

What outcomes are we trying to improve?

RESULT

Every child is born healthy and thrives in a nurturing, safe and loving community.

OBJECTIVES (Strategic Plan)

1. Reduce #s of death of children under one years old
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7. Increase ECE access
8. Increase access to early intervention services
9. Increase culturally affirming services

TARGET

Targeted Universalism – Use of Equity Index

Option # 2: Select Home Visiting for Highest Need Families Model

2 FACTOR ANALYSIS

What factors most influence those outcomes?

- **System navigation** is complex and limits linkage to services.
- **Systemic practices** root in lack of culturally affirming care, anti-black practices and racism.
- **Systemic mistrust** of services from groups previously harmed by official practices/policies.
- **Insufficient engagement and outreach strategies** for priority populations.

3 STRATEGIES

What strategies are most likely to make a meaningful difference?

STRATEGIES

Highest value role First 5 LA should play to influence key factors and advance our outcomes

Systems Change:

- Coordination with County partners to leverage learnings, findings and advocacy to inform local, State and Federal partners.
- Coordination and development of referral pathways.
- Improve connections to services with use of data and workforce support.
- Leveraging technology infrastructure and elevating data.

4 EVALUATION

How will we measure progress and learn over time?

EVALUATION – WHAT DO WE WANT TO MEASURE?

- **OUTCOMES**: What changes do we want to see for children and families?
- **SERVICE QUALITY & ENGAGEMENT**: How well are services meeting needs?
- **SYSTEMS IMPACT & UPTAKE**: How are systems improving and adapting?
- **EQUITY & REACH OF IMPACT**: Who are we reaching and how are we advancing equity?
- **COST & RESOURCE STEWARDSHIP**: Are we using resources effectively and sustainably?

Home Visiting Option # 2

Models: HFA, PAT
Potential Funding Levers: FFPS, BHSA
Estimated # Families Served: 1,030

Select Home Visiting

- Challenge being addressed:
  - Families with higher level of needs require more focused support and benefit from longer-term services
  - Referral linkages to services need improvement
- Description of Approach:
  - HFA/PAT sites responsible for own prenatal and postpartum outreach and enrollment
  - Addition of mental health clinician to every program to facilitate connection to mental health services
  - Establishment of referral pathways, such as doulas and DCFS' Young Children in Care
  - Enhance connection and navigation protocols for key referrals
  - Provide connections to asset building opportunities that support families struggling with challenges related to poverty.
  - Workforce training and preparation to improve engagement of priority populations and support culturally affirming care

Home Visiting Option # 2

Models: HFA, PAT

Select Home Visiting

- Contribution to System:
  - Committed focus to serving highest need families
  - Establish and strengthen referral pathways such as doula and DCF’s Young Children in Care
  - Improved maternal mental health supports via increased access
  - Strengthened referral follow-up and navigation protocols for key referrals
  - Improved workforce preparation, training, and support
- What would be different in 5 years:
  - Enhanced coordination and strengthened referral pathways and birth equity efforts
  - Increased partner coordination and maximized utilization of funding streams and sustainability levers
  - Strengthened connections to services for improved Family/Child Outcomes
  - Increased engagement of priority populations
  - Strengthened workforce preparation and delivery of culturally affirming care

Select Home Visiting Model: Option 2

STRATEGY: Systems Change - Concentrate intensive HFA/PAT home visiting for families with the highest needs and deliver sufficient duration, clinical support, and referral follow-through to improve maternal and child well-being.

QUANTITY

EFFORT

How much did we do?

- # high-need families enrolled in HFA/PAT
- # families enrolled prenatally
- # mental-health consultations/services delivered
- # warm handoffs for key family needs

EFFECT

How many were better off?

- # parents with improved mental-health or parenting/protective-factor measure
- # children/families with developmental or basic needs met
- # families reporting culturally affirming, trusted support

QUALITY

EFFORT

How well did we do it?

- % priority-population families enrolled
- % families retained at expected model dose/milestones
- % positive mental-health screens receiving timely follow-up
- % key referrals receiving closed-loop navigation

EFFECT

What % were better off?

- % parents with improved mental-health or parenting/protective-factor measure
- % children/families with identified key needs resolved (mental health, early intervention services and basic needs)
- % families reporting culturally affirming, trusted support

RBA emphasis: upper quadrants track what F5LA and partners can directly manage; lower quadrants focus on proximal changes plausibly attributable to the selected strategy.

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1 RESULTS

What outcomes are we trying to improve?

RESULT

Every child is born healthy and thrives in a nurturing, safe and loving community.

OBJECTIVES (Strategic Plan)

1. Reduce #s of death of children under one years old
2. Reduce poverty
3. Reduce housing insecurity
4. Increase maternal mental health care
5. Increase access to healthy food
6. Increase access to parks and open space
7. Increase ECE access
8. Increase access to early intervention services
9. Increase culturally affirming services

TARGET

Targeted Universalism – Use of Equity Index

Option # 3: No Wrong Door Triage Model

2 FACTOR ANALYSIS

What factors most influence those outcomes?

- **System navigation** is complex and limits linkage to services.
- **Systemic practices** root in lack of culturally affirming care, anti-black practices and racism.
- **Systemic mistrust** of services from groups previously harmed by official practices/policies.
- **Insufficient engagement and outreach strategies** for priority populations.
- **Perinatal and birth disparities** for Black families.
- **Stigma** of receiving services

3 STRATEGIES

What strategies are most likely to make a meaningful difference?

STRATEGIES

Highest value role First 5 LA should play to influence key factors and advance our outcomes

Systems Change:

- Coordination with County partners to leverage learnings, findings and advocacy to inform local, State and Federal partners.
- Coordination and development of referral pathways
- Improve connections to services with use of data and workforce support.
- Leveraging technology infrastructure and elevating data.

4 EVALUATION

How will we measure progress and learn over time?

EVALUATION – WHAT DO WE WANT TO MEASURE?

- **OUTCOMES** — What changes do we want to see for children and families?
- **SERVICE QUALITY & ENGAGEMENT** — How well are services meeting needs?
- **SYSTEMS IMPACT & UPTAKE** — How are systems improving and adapting?
- **EQUITY & REACH OF IMPACT** — Who are we reaching and how are we advancing equity?
- **COST & RESOURCE STEWARDSHIP** — Are we using resources effectively and sustainably?

Home Visiting Option # 3

Model: Welcome Baby, HFA, PAT
Funding Levers: FFPS, BHSA, CHW
Estimated # Families Served: 5,350

No Wrong Door Triage Model

- Challenge being addressed:
  - Families are not reached early enough and need a 'no wrong door' approach with early referrals and connections to improve outcomes, particularly for groups facing birth outcome disparities

- Description of Approach:
  - Provides different levels support via Welcome Baby, HFA and PAT in highest need areas
  - Addition of prenatal risk assessment and triage to appropriate early supports
  - Modify Welcome Baby to implement Prenatal to 3-4 Month Visit and convert existing position to Connections Specialist to provide follow-up for key referrals
  - Develop enhanced referral pathway from hospital visit to HFA/PAT sites across funding streams, including to DPH
  - Referral pathway coordination and development, such as doulas, DCFS' Young Children in Care, and CalAIM alignment
  - Provide connections to asset building opportunities that support families struggling with challenges related to poverty.

Home Visiting Option # 3

Model: Welcome Baby, HFA, PAT

No Wrong Door Triage Model

- Contribution to System:
  - Focused support in areas of highest need, with targeted prenatal outreach efforts, including groups facing birth disparities
  - Application of targeted universalism – families triaged and connected to the right level of postpartum support
  - Prenatal risk assessment and early triage to appropriate supports
  - Establish and strengthen referral pathways such as doula and DCF's Young Children in Care
  - Improved workforce preparation, training, and support
- What would be different in 5 years:
  - Enhanced coordination for strengthened referral pathways and birth equity efforts
  - Improved prenatal outreach and enrollment with connections to services and supports
  - Increased focus engagement of priority populations and improved outcomes for groups facing birth disparities
  - Strengthened workforce preparation and delivery of culturally affirming care

No Wrong Door Model: Option 3

STRATEGY: Systems Change - Build a coordinated front door in highest-need communities that identifies need early, triages families to the right intensity of support, and verifies that connections occur.

QUANTITY

EFFORT

How much did we do?

- # families reached through prenatal, hospital and community touchpoints
- # families receiving standardized risk/needs assessment
- # families triaged to WB, HFA/PAT or community supports
- # key referrals receiving Connections Specialist follow-up

EFFECT

How many were better off?

- # high-need families successfully enrolled in intensive HV
- # families with key referral needs met
- # families reporting easier navigation/trust in the system

QUALITY

EFFORT

How well did we do it?

- % priority-population families enrolled
- % assessed and triaged within established timeframe
- % key referrals with warm handoff + 30-day follow-up
- % sites/partners using shared triage and closed-loop navigation

EFFECT

What % were better off?

- % high-need families successfully enrolled in intensive HFA or PAT
- % families with key referral needs met
- % families reporting easier navigation/trust in the system

RBA emphasis: upper quadrants track what F5LA and partners can directly manage; lower quadrants focus on proximal changes plausibly attributable to the selected strategy.

first 5 la
Giving kids the best start

Home Visiting

DISCUSSION –

1. **Population:** The Equity Index identifies high-need areas using demographic and geographic indicators, alignment with Strategic Plan objectives, and the intersection of racial, economic, and geographic disparities. The models presented prioritize the commitment to prevention and access for high-need populations. Are there any considerations or questions on population for which more information is needed?

2. **Results:** What results are most important for us to hold the redesigned model accountable for achieving for children and families? (Please reference slides above)

3. **Direction:** Considering the populations we want to reach, the results we want to achieve, the evidence, and our available resources, which of the three options should staff advance for full Board consideration?

Home Visiting

Next Steps:

Today

Committee provides direction on the preferred home visiting option to advance

Next

Staff further develops the selected option, incorporating Board guidance, RBA performance measures, implementation considerations, and fiscal parameters

Final

Staff returns to the full Board with a complete Home Visiting proposal for review and endorsement

Agenda Item: Item 6
Date: September 24, 2026

FIRST 5 LA

SUBJECT:
Fiscal Year 2025-26 Annual Report to First 5 California (State Commission)

RECOMMENDATION:
This memo is provided as preliminary information on the Annual Report for the Board's consideration at the September 24, 2026, Special Meeting of the Board of Commissioners, Program & Planning Committee, Budget And Finance and Executive Committees. First 5 LA recommends that at the next Commission Meeting on October 8, 2026, the Board approve the final Annual Report for submission to the State Commission.

BACKGROUND:
Each year, First 5 LA staff prepares an Annual Report to the State Commission that provides financial and programmatic information following a State Commission-designated template. Staff will be seeking approval of the First 5 LA Annual Report for Fiscal Year 2025-26 (July 1, 2025 – June 30, 2026), which is due to the State Commission by October 31, 2026. First 5 LA staff will submit the report via the web-based platform provided by the State Commission. This request is brought as information at the September 24, 2026, Special Meeting of the Board of Commissioners Program & Planning Committee, (per the Bylaws) and will be brought for a Public Hearing and action at the October 8, 2026, Board of Commissioners meeting.

The Annual Report consists of the following three sections:

- **Section 1: Revenue and Expenditure Summary:** This section includes information on First 5 LA's revenue and expenditures aligned with the financial audit data, including programmatic expenditures across the State Commission's four Result Areas.
- **Section 2: Demographic Worksheet:** This section includes information on the populations reached through First 5 LA's direct service investments overall and by demographics such as age, race and ethnicity.
- **Section 3: Evaluation Summary/County Highlights:** This section provides a summary of First 5 LA's evaluations that focused on improving child health, child development, family support, or systems of care. This section also includes county highlights that describe First 5 LA's accomplishments in the last fiscal year. Effective for FY 2025-26, First 5 CA's revised reporting guidelines replace open-ended narratives with standardized prompts that center equity, measurable impact, and lessons learned.

As part of the submission, staff must categorize First 5 LA's programmatic efforts into the four Result Areas established by the State Commission outlined below:

- **Improved Child Health**: includes general health education and promotion programs, perinatal and early childhood home visiting services, prenatal and infant/toddler pediatric supports, and early intervention services.
- **Improved Child Development**: includes quality early learning supports and early learning program direct costs.
- **Improved Family Support**: includes short-term, non-intensive general family support programs, targeted intensive family support services, and family literacy and book programs.
- **Improved Systems of Care:** includes policy and public advocacy as well as program and systems improvement efforts.

DISCUSSION:
The preliminary findings summarize First 5 LA's FY 2025-26 contracts and grants and the populations reached. Key findings include the following:

1. **Contracts and Grants by Result Areas**

- More than half (61%) of First 5 LA's contracts and grants focused on advancing systems change and were categorized under the Improved Systems of Care Result Area.
- About one-third (34%) were categorized under the Improved Child Health Result Area, while 5% were categorized under Improved Child Development. No contracts or grants were categorized under the Improved Family Support.

2. **Populations Reached**
   - About 16,500 children under five and 36,500 primary caregivers were reached through First 5 LA's investments in total.
   - All children and primary caregivers were reached through Home Visiting investments, which are categorized under the Improved Child Health Result Area.
   - The majority of children (98.5%) reached through First 5 LA investments were under 3 years old.
3. **Racial and Ethnic Representation**
   - Most children reached by First 5 LA investments were children of color.
     - Latino children represented 75% of children reached, compared with 57% of LA County's population ages 0-5.
     - Children identified as two or more races accounted for 11% of children reached, compared with 7% of LA County's population ages 0-5.
     - Black or African American children represented 7% of children reached, compared with 6% of LA County's population ages 0-5.
     - Asian children represented 3% of children reached, compared with 11% of LA County's population ages 0-5.
4. **Language**
   - Almost two-thirds of children reached (64%) were from households where English was identified as the primary language.
   - Spanish was identified as the primary household language for one-third of children reached (33%).

NEXT STEP:
First 5 LA staff will incorporate expenditure data and add details on county highlights and evaluation summary for the final Annual Report.

A public hearing will be held at the October 8, 2026 Board meeting to present the final Annual Report and request Board approval to submit to the State Commission.

Agenda Item: 7
Date: September 24, 2026

FIRST 5 LA

SUBJECT:
Establish a Strategic Partnership with Public Health Foundation Enterprises, Inc. dba Heluna Health in the Amount of $509,300 through June 30, 2028, to serve as new intermediary for First 5 LA's ongoing investment in the African American Infant and Maternal Mortality (AAIMM) Prevention Initiative Community Action Teams (CATs)

RECOMMENDATION (PROVIDED AS INFORMATION):
This memo is provided as information for the Board's consideration at the September 24, 2026, Program and Planning Committee meeting. First 5 LA staff recommends, that at its October 8, 2026 Commission meeting, the Board approve the establishment of a Strategic Partnership with Public Health Foundation Enterprises, Inc. dba Heluna Health ("Heluna Health"), in the amount of $509,300 through June 30, 2028. Funds for FY 26-27 are included in the First 5 LA Programmatic Budget under AAIMM Birth Outcomes and Disparities – Policy and Systems Change, approved by the Board of Commissioners on June 11, 2026. Funds for FY27-28 will be included in the proposed First 5 LA Programmatic Budget in the same category, subject to approval by the Board of Commissioners in June 2027. At the time of budget approval, requested resources will shift from the Assigned resource category of the fund balance, dedicated for broad Strategic Plan purposes, to the Committed category, amounts dedicated for a more specified purpose via resolution.

BACKGROUND:

Los Angeles County's African American Infant and Maternal Mortality Initiative (AAIMM)
First 5 LA and the Los Angeles County Department of Public Health (LACDPH) continue efforts to co-lead the AAIMM Prevention Initiative. The AAIMM Initiative's coalition also includes partnerships with the Los Angeles County Department of Health Services, the Los Angeles County Department of Mental Health, community organizations, mental and health care providers, funders, and community members. Since the onset of the AAIMM Initiative in 2018, the coalition instituted a shared leadership and decision-making approach among members to build trust and prioritize and implement strategies to address the unacceptably high rates of Black infant and maternal deaths countywide. The coalition meets regularly to develop, implement, and review strategies and catalyze community action to ensure healthy and joyous births for all Black families in LA County.

AAIMM acknowledges the root cause of disparities as racism related toxic stress and the impact that stress has on a Black birthing person's body, compounded by structures in society that perpetuate racism including lack of culturally competent care, and the presence of implicit and overt bias in the systems of support that impact Black families. AAIMM strategies are centered around the Community Health Equity Improvement Plan for Los Angeles County 2024-2029 (CHEIP)'s goal to reduce the gap by 50% in Infant Mortality Rates (IMR) between White and Black/African American babies by reducing the Black/African American IMR, as well as supporting First 5 2024-2029 LA's Strategic Plan objective 1.1 to reduce the annual number of deaths of children under 1 year old per 1,000 live births in Los Angeles County to 3.5% by the end of 2029.

California Community Foundation (CCF) Community Initiatives Fund, Fiscal Sponsor for the Los Angeles Partnership for Early Childhood Investment ("LA Partnership"), has served as intermediary for the CATs and Village Fund for four years. (See Strategic Partnership with California Community Initiatives Fund for additional information regarding the remaining role in being an intermediary for the AAIMM Village Fund, to be presented to the Board of Commissioners in October 2026). These two roles (CATs and Village Fund) will be separated, with LA Partnership continuing to support the Village Fund, and Heluna Health supporting the CATs.

AAIMM Community Action Teams (CATs)
AAIMM CATs are regional collaboratives co-led by community and LACDPH that seek to both engage their community on countywide AAIMM strategies and to implement regional Black birth equity strategies. Currently, there are four CATs operating: South LA/South Bay (Service Planning Area/SPAs 6 and 8), Antelope Valley/Palmdale (SPA 1), San Gabriel Valley/Pasadena (SPA 3), and Santa Clarita/San Fernando Valley (SPA 2).

AAIMM CATs Intermediary Payment Structure and Transition
Since the CATs began receiving funding, First 5 LA and other funders have utilized an intermediary structure to support payment and contract management of CAT infrastructure via backbone support, community co-leadership stipends, capacity building and other funds. This structure has allowed the intermediary to do the work of braiding funds from different sources, while the CATs backbones – typically smaller community-based organizations – have a unified scope and budget, reducing administrative burden and complexity. Currently, the CATs have two primary funders: First 5 LA and LACDPH. Previous backbone funders have included the Reissa Foundation and Baby Futures Fund, with additional funders supporting CATs programmatic work.

In February 2026, the LA Partnership notified First 5 LA and LACDPH that they were going to step down from their role of administering the CATs funds, effective November 1, 2026, but would continue being the intermediary for the AAIMM Village Fund. Since February 2026, First 5 LA and LACDPH have worked to identify a new intermediary to take on this role, while additionally working collaboratively to establish clearer roles and responsibilities among First 5 LA, DPH, the intermediary, backbones, and larger CATs.

Pursuant to the Procurement Policy, Strategic Partners greater than $150,000 must be presented to the Board for approval. Staff are requesting the establishment of a Strategic Partnership for an amount not to exceed $509,300 to comply with this policy.

JUSTIFICATION FOR STRATEGIC PARTNERSHIP:

A strategic partner is defined as having an existing infrastructure or substantial investment in a program or project that either cannot be duplicated or would be duplicated at the expense of First 5 LA, and has the demonstrated resources, ability, program reach, or level of expertise to support First 5 LA's systems change work. Strategic Partnerships also include entities that administer jointly funded programs or entities with key relationships when these are critical to advancing First 5 LA's Strategic Plan.

Market Research: A primary goal in identifying a new intermediary was to find an agency that would meet both First 5 LA's and LACDPH's needs, allowing selection of a single joint intermediary for both agencies.

Establishing a strategic partnership with Heluna Health leverages the following:

- LACDPH has an existing agreement with Heluna Health to serve as intermediary for other AAIMM work and was able to amend this agreement to include the AAIMM CATs backbone support because the CATs work aligns with the larger AAIMM portfolio that Heluna Health was already holding.
- Through its prior work with AAIMM, Heluna Health has a foundational existing understanding of the AAIMM model, key partners, values, and leadership structure that will equip them well to step into the CATs intermediary role. Heluna Health has also confirmed that the same staff currently working on DPH's AAIMM contract will also support First 5 LA's strategic partnership, ensuring knowledge transfer for this project.
- Heluna Health has demonstrated its ability to implement all proposed scope of work tasks, including braiding funding sources and minimizing administrative complexity for the CATs backbones.

- Heluna Health has robust fiscal and contract management infrastructure necessary for a strong intermediary, as demonstrated through past work with both First 5 LA and LACDPH.

Heluna's prior experience and knowledge of AAIMM and existing contractual relationship with DPH meet the criteria required to establish a strategic partnership, while their strong administrative infrastructure ensure that they have the capacity to execute the intermediary role.

Scope of Work and Budget: If approved, Heluna Health will commence serving as CATs intermediary on November 2, 2026, taking over for LA Partnership following the end of their CATs intermediary role on October 31. As intermediary, Heluna Health's SOW will include oversight of procurement for the next cohort of AAIMM CATs Backbone agencies for Antelope Valley/Palmdale, San Gabriel Valley/Pasadena, and Santa Clarita/San Fernando Valley, and contract management of CAT infrastructure support, including backbones, capacity building, and community co-lead stipends, managing a complex budget with multiple funding sources and grantees, aligning funder requirements and needs, and ensuring completion of required deliverables. The total project budget of $509,300 includes $344,100 allocated for FY26-27, and $165,200 for FY27-28. Heluna Health's scope of work will include the following:

- Procurement of Backbone Support: Three of the four CATs were previously scheduled to be reprocured prior to the intermediary transition. Heluna Health will oversee the release of a solicitation immediately after starting to bring on these new backbone entities, and may support additional solicitations if necessary based on backbone performance.
- Contracting: Heluna will execute contracts with backbone agencies, including initial 6-month contracts and FY27-28 renewal contracts, regranting funds to backbones and supporting backbone onboarding and performance review processes.
- Project Management: Heluna will provide comprehensive project management of the CATs backbones, including attending administrative check-ins, managing budget and processing invoices, administering capacity building funds and co-lead stipends, collecting deliverables, etc.

Alignment with First 5 LA 2024-2029 Strategic Plan:
This Strategic Partnership advances two primary 2024-2029 Strategic Plan objectives: (1) reduce infant mortality and (2) increase culturally affirming services. Tactics utilized include engagement, capacity building, coordination, access, and communication. Partnering with Heluna Health as intermediary will enable First 5 LA to continue investing in the AAIMM CATs, whose core mission is to reduce infant and maternal mortality for Black birthing families, primarily through prevention via social support, network building, access to culturally affirming resources, and preventing and mitigating the effects of toxic stress.

GOVERNANCE GUIDELINES #5 AND #6 (SUSTAINABILITY AND LEVERAGING):

Sustainability Plan
First 5 LA staff will continue working collaboratively with LACDPH and the CAT planning teams to support the sustainability of AAIMM CATs. Key new sustainability efforts in FY26-27 include the relaunch if the AAIMM Funding Workgroup, which will focus on strengthening AAIMM's core infrastructure and capacity to pursue funding opportunities quickly and effectively, including support for the CATs. Short-term objectives of the work group include building a core set of grant templates, data, program information, and other resources which are accessible to all AAIMM partners and can be readily accessed for funding applications; established workflows and points of contact for pursuing funding opportunities; increased capacity for monitoring potential funding opportunities; and launching a multi-part grant writing workshop open to CAT leadership among other AAIMM stakeholders.

Leveraged Resources
The AAIMM CATs are currently co-funded by the LACDPH, who will contribute approximately $150,000 for FY26-27. LACDPH additionally continues to allocate significant staffing resources to the CATs, including LACDPH co-leads for each regional CAT, a central coordinator focused on increasing alignment and shared learning across the CATs, staff support at community events, and continued strategic oversight from AAIMM leadership.

NEXT STEPS

Staff anticipates returning to the Board for action at the October Board of Commissioners' meeting to approve this Strategic Partnership and execute a contract with Heluna Health for an amount not to exceed $509,300 through June 30, 2028.