

**CHILDREN AND FAMILIES COMMISSION
OF FRESNO COUNTY
FRESNO, CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2021**

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
FINANCIAL STATEMENTS
JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Children and Families Commission of Fresno County

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Children and Families Commission of Fresno County (the Commission) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Commission, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 33-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Supplemental Schedule of First 5 California (F5CA) Funding is presented for purposes of additional analysis and is not required part of the basic financial statements.

The Supplemental Schedule of First 5 California (F5CA) Funding is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of First 5 California (F5CA) Funding is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2021, 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.

Price Pange & Company

Clovis, California
October 8, 2021

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

INTRODUCTION

On November 3, 1998, California voters approved Proposition 10, the California Children and Families Act (Act). The Act increased tobacco taxes to provide funds for early childhood development and smoking cessation programs. The passage of this Act created an unprecedented opportunity for Fresno County to mobilize its many resources and create an integrated, coordinated system of care that supports and enhances the lives of children from the prenatal stage up through age five and their families. The intent of the Act is for all California children to be healthy, live in a supportive and healthy family environment, and enter school ready to learn.

The Fresno County (the County) Board of Supervisors created the Children and Families Commission of Fresno County (the Commission) on December 8, 1998, under the provisions of the Act. The Commission consists of up to seven members appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County and is considered a component unit of the County due to the operational relationship between the Commission and the County.

This report contains a discussion of key program, management, financial, and performance information for fiscal year 2020-2021 and financial statements that discuss the Commission's financial condition, and the auditor's opinion, which is independent and objective and provides reasonable assurance about whether the financial statements are free from material misstatements. Finally, this comprehensive report contains other statutorily required information that demonstrates management accountability and financial and programmatic performance. As management of the Commission, we offer readers our financial statements and this narrative overview and analysis for the fiscal year ending June 30, 2021.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, issued June 1999, and GASB Statement No. 37, *Basic Financial Statements – and Management and Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and Statement No. 34, issued in June 2001.

MISSION AND STRATEGIC GOALS

The Commission's mission is to be a catalyst for creating a seamless system of quality, accessible services by partnering with the community to support the well-being of every child and family.

Central to the Commission's mission are the strategic investment areas, outlined in the Commission's Strategic Plan, which aim to convert the Commission's commitment into action symbolically categorized into three tiers starting with the core: Families; surrounded by Communities, encircled by Systems.

FINANCIAL HIGHLIGHTS

- During fiscal year 2020-2021, the Commission allocated and received Proposition 10 revenues of \$7.9 million from the State of California as revenues collected under the Children and Families Act and \$2.4 million in backfill dollars from Proposition 56.
- The Commission disbursed approximately \$6.4 million to funded agencies in the reported period ending June 30, 2021.
- Over \$7.0 million was committed by the Commission towards the agency's Strategic Plan, which will be disbursed in the subsequent fiscal years to fund its programmatic investments.
- The New Markets Tax Credit requirements were successfully completed, and, in December 2020, the agreements termed resulting in the Commission taking ownership of the Lighthouse for Children facility.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The three sections together provide a comprehensive overview of the Commission. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the Commission's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the Commission's operations in more detail. The fund financial statements comprise the remaining statements.
 - **Government funds** statements tell how general governmental services were financed in the short-term as well as what remains for future spending.

The basic financial statements also include notes that explain some of the information within the statements and provide more detailed data. These are followed by a section of required supplementary information which further explains and supports the basic financial statements.

Government-Wide Statements

The government-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net position* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net position*. Changes in net position may serve as a useful indicator of the financial position of the Commission.

The *statement of activities* presents information showing how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal years (e.g., earned but unused vacation leave).

The Government-Wide Statements combine financial information for both the Commission (General Fund) and for the Lighthouse for Children, Inc. (Lighthouse Special Revenue Fund) - see Note 1 to the Financial Statements for more information. Separately issued Financial Statements for Lighthouse for Children, Inc. may be obtained from Lighthouse for Children, Inc. of Fresno County, 2405 Tulare Street, Fresno, California 93721.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's most significant funds – not the Commission as a whole. Funds are accounting devices that the Commission uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Commission establishes other funds to control and manage money for particular purposes or to show that the Commission is meeting legal responsibility for using certain revenues.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The Commission's total assets were approximately \$42.4 million at the end of the fiscal year. The majority of the Commission's assets are in cash and investments of \$26.4 million along with the Lighthouse for Children building valued at \$13.5 million.

Cash and investments are maintained in the Commission's checking and savings accounts, the Fresno County investment pool where interest earned on the Commission's balance is apportioned to the Commission, and in an investment account. Please refer to pages 23 through 26 for types of investments and credit ratings. Another asset is the Commission's approximately \$638K receivable due from the State Commission for Proposition 10 (page 10). These receivables represent taxes remitted by the State but not received by the Commission as of June 30, 2021. The Commission also reports accounts payable of approximately \$2.2 million representing payments due on invoices.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
STATEMENT OF NET POSITION COMPARISON**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
ASSETS			
Cash and investments	\$ 26,369,840	\$ 21,129,212	\$ 5,240,628
Due from the state - proposition 10 and 56	637,706	1,190,663	(552,957)
Other receivables	1,147,530	1,160,917	(13,387)
Prepaid assets	6,028	-	6,028
Capital assets, not being depreciated	676,530	676,530	-
Capital assets, net of accumulated depreciation	<u>13,526,091</u>	<u>13,933,838</u>	<u>(407,747)</u>
 Total assets	 <u>42,363,725</u>	 <u>38,091,160</u>	 <u>4,272,565</u>
LIABILITIES			
Current liabilities	2,233,451	2,366,961	(133,510)
Noncurrent liabilities	<u>23,087</u>	<u>4,489,695</u>	<u>(4,466,608)</u>
 Total liabilities	 <u>2,256,538</u>	 <u>6,856,656</u>	 <u>(4,600,118)</u>
NET POSITION			
Net investment in capital assets	14,202,621	9,852,427	4,350,194
Restricted	-	46,799	(46,799)
Unrestricted	<u>25,904,566</u>	<u>21,335,278</u>	<u>4,569,288</u>
 Total net position	 <u>\$ 40,107,187</u>	 <u>\$ 31,234,504</u>	 <u>\$ 8,872,683</u>

In fiscal year 2020-2021, the Commission's net position increased by \$8.8 million, as seen above. The increase was due to an increase in cash and investments compared to prior year.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
STATEMENT OF ACTIVITIES COMPARISON**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
REVENUES			
Charges for Services	\$ 98,827	\$ 148,000	\$ (49,173)
Grants and Contributions	11,957,302	11,569,684	387,618
General revenues	<u>5,230,106</u>	<u>980,175</u>	<u>4,249,931</u>
 Total revenue	 <u>17,286,235</u>	 <u>12,697,859</u>	 <u>4,588,376</u>
EXPENSES			
Child development services	<u>7,782,131</u>	<u>9,788,594</u>	<u>(2,006,463)</u>
 Total expenditures	 <u>7,782,131</u>	 <u>9,788,594</u>	 <u>(2,006,463)</u>
 Change in net position	 <u>\$ 9,504,104</u>	 <u>\$ 2,909,265</u>	 <u>\$ 6,594,839</u>

FINANCIAL ANALYSIS OF THE COMMISSION'S GOVERNMENTAL FUND

For the fiscal year ended, the Commission reported an ending fund balance of \$25,898,632. The decrease of \$6.4 million over the prior year is mainly represented by the removal of the long-term loan liability associated with the resolve of the New Markets Tax Credit requirements associated with the Lighthouse for Children facility. See pages 13 and 15 of the financial statements for the fund financial statements and Note 9 regarding the New Markets Tax Credits.

Revenue and Expenditure Analysis – Governmental Funds

Total revenues consist of Proposition 10 funds, Proposition 56 funds, external grant revenues, investment earnings, and other revenues. There was a slight decrease in total revenues from \$12.5 million, in the prior year, to approximately \$12.4 million for the fiscal year 2020-2021. The main reason for the difference is fewer unrealized gains received in the fiscal year compared to the prior year. Proposition 10 revenues, compared to the year ended June 30, 2020, increased by \$455K, while unrealized investment earnings saw a decrease compared to the prior year of \$536K. Grant revenue from external sources such as First 5 California for IMPACT (Improve and Maximize Programs so All Children Thrive) and Quality Counts California efforts decreased by \$200K. The Commission's goal to support and enhance the early childhood service system and their commitment to serving the young children and families in Fresno County remained consistent with the prior year.

Examples of program investments during the 2020-2021 fiscal year: As part of a countywide goal to dramatically scale home visitation services for families, the Commission, in December 2019, partnered with the County of Fresno's Department of Public Health to launch the Community Health Teams (CHT) project. The Commission's investment drew down more than \$400K federal and state dollars per year to further support the project, funds that would have otherwise gone unused. CHT is a cost-effective, localized model pairing public health nurses with teams of paraprofessionals from community benefit organizations (CBOs) to provide research-based home visitation services to families who may otherwise not qualify for federal or state funded programs. Through CHT, the Department of Public Health partners with four CBOs to support families across the county with parenting, early learning, family literacy, developmental screenings, and a multitude of other resources and referrals – all while prioritizing the health and safety of staff and families through virtual and modified service delivery to continue support through the COVID-19 global health pandemic. In May 2021, the Commission renewed its commitment to this project by awarding two additional years. This brought the current total allocation for four years to

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

\$3.6 million (approx.) leveraging over \$1.6 million from federal and state Department of Public Health dollars.

The Commission invested \$100K in partnership with PCAC to host four, full-time AmeriCorps members through the Community Learning Center (CLC) at the Lighthouse for Children facility. The AmeriCorps members impacted the community in an array of ways this fiscal year. They provided the Growing Learners Program (GLP), a series of classes at the CLC aimed to promote healthy development, enhance the interaction between children and their caregivers, and prepare children for school. Over 80 families participated in GLP weekly classes, completed vital developmental screenings, and received referrals for critical preventative services this fiscal year all in virtual formats.

The Commission's AmeriCorps team, through the CLC, also led the distribution of PPE and cleaning supplies to community partners that serve Fresno County's children and families as part of the F5CA Emergency Supplies Program. Additionally, the AmeriCorps team acted as a Diaper Hub lead in the Central California Food Bank's program distributing formula, baby food, and over 535,000 diapers to deserving families this fiscal year.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
GOVERNMENTAL FUND ACTIVITIES COMPARISON**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
REVENUES			
Program revenues	\$ 10,316,319	\$ 9,754,838	\$ 561,481
Grant revenues	1,640,983	1,814,846	(173,863)
General revenues	571,046	1,128,175	(557,129)
Other financing sources	<u>10,956,060</u>	<u>-</u>	<u>10,956,060</u>
Total revenues	<u>23,484,408</u>	<u>12,697,859</u>	<u>10,786,549</u>
EXPENDITURES			
Program services	6,562,966	8,466,839	(1,903,873)
Evaluation services	443,920	513,634	(69,714)
Administrative costs	380,200	402,097	(21,897)
Other financing uses	<u>10,956,060</u>	<u>-</u>	<u>10,956,060</u>
Total expenditures	<u>18,343,146</u>	<u>9,382,570</u>	<u>8,960,576</u>
Change in fund balance	<u>\$ 5,141,262</u>	<u>\$ 3,315,289</u>	<u>\$ 1,825,973</u>

Fund Budgetary Highlights

This section contains an explanation of the significant differences between the Commission's final budget amounts and actual amounts, and original and final budget amounts recorded for revenues and expenditures for fiscal year 2020-2021 as detailed in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (shown on pages 33-34). In fiscal year 2020-2021, the Commission received actual revenues of \$12.4 million compared to the budgeted amount of \$9.6 million. In preparing the budget, the Commission considered variables such as declining tobacco consumption, the effects of changes in legislation, and lower returns on investments. Actual total revenues were \$2.9 million more than budgeted as more than anticipated backfill from Proposition 10 and 56 revenue was received than anticipated. Interest and investment revenues were \$61K more than expected, and other revenues came in at \$151K more than expected.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

In fiscal year 2020-2021, actual expenditures were \$7.8 million less than budgeted. This is due to the Commission committing roughly \$7.0 million of that amount to be spent out in subsequent fiscal years on programmatic investments.

A schedule of the Commission's original and final budget amounts compared with actual revenues and expenses is provided on pages 33-34 in the audited financial report.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets of \$14.2 million (net of accumulated depreciation) are for the Lighthouse for Children facility and equipment, the Huron land and facility, and the associated equipment purchased. See Note 6 for more information on capital assets.

At the end of the current fiscal year, the Commission did not have any outstanding long-term debt, however, the Commission does have one long-term obligation for compensated absences. See Note 8 for details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

To develop the 2020-2025 Strategic Plan, a series of planning sessions were held to discuss, review, and provide staff direction on the Commission's financial resources and strategies for the five-year period of the Strategic Plan and the Long-Range Financial Plan (LRFP). For accountability, the Commission does an annual review of the agency's budget and LRFP. The Commission's commitment to continued collaboration with community partners and to leveraging resources to maximize funds remains. Due to reduced revenue and limited resources, it is increasingly important to rely on the available expertise and knowledge of the community and build on initiatives that have strong foundations of evidence. This unified approach not only allows for a more effective use of resources, but it also allows for enhanced focus and greater collective impact.

In development of its 2020-2025 Strategic Plan, the Commission collaborated with community entities to establish a joint early childhood community agenda for Fresno County from preconception to age 5 called the *Preconception to Age 5 Blueprint for Funding and Advocacy (Blueprint)*. The process included community engagement with parents, caregivers and service providers. The feedback received, complemented by the momentum of existing community efforts, formed the basis of the new 2020-2025 Strategic Plan which outlines the Commission's investments to address challenges our families are facing in responsive, collaborative, and innovative ways. Both the Blueprint and the Commission's 2020-2025 Strategic Plan can be found on the Commission's website at www.first5fresno.org.

The following approximate program allocations show the Commission's funding priorities for the upcoming year:

- Help Me Grow Fresno County – \$275k
- Thriving Families Service Programs – \$2.2 million
- Community Learning Center – \$590k
- Patient-Centered Prenatal Care – \$264k
- African American Infant Mortality Prevention – \$1.2 million
- Quality Rating Improvement System – \$978k
- Innovation & Learning – \$600k

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Commission's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Children and Families Commission of Fresno County, 2405 Tulare Street, Suite 200, Fresno, CA 93721.

BASIC FINANCIAL STATEMENTS

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CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Cash and investments	\$ 26,369,840
Due from the state - proposition 10	637,706
Other receivables	1,147,530
Prepaid assets	6,028
Capital assets not being depreciated:	
Land	676,530
Capital assets, net of accumulated depreciation:	
Buildings	13,516,301
Equipment	<u>9,790</u>
 Total assets	 <u>42,363,725</u>

LIABILITIES

Current liabilities:	
Accounts payable	2,184,432
Accrued payroll and related taxes	27,246
Noncurrent liabilities:	
Due in one year:	
Compensated absences	21,773
Due in more than one year:	
Compensated absences	<u>23,087</u>
 Total liabilities	 <u>2,256,538</u>

NET POSITION

Net investment in capital assets	14,202,621
Unrestricted	<u>25,904,566</u>
 Total net position	 <u>\$ 40,107,187</u>

The notes to the basic financial statements are an integral part of this statement.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Child development services	\$ 7,782,131	\$ 98,827	\$ 11,957,302	\$ 4,273,998
Total	<u>\$ 7,782,131</u>	<u>\$ 98,827</u>	<u>\$ 11,957,302</u>	<u>4,273,998</u>

General revenues:

Interest and investment earnings	171,182
Forgiveness of debt	4,757,887
Miscellaneous income	<u>301,037</u>
Total general revenues	<u>5,230,106</u>
Change in net position	9,504,104
Net position - beginning of year (restated)	<u>30,603,083</u>
Net position - end of year	<u>\$ 40,107,187</u>

The notes to the basic financial statements are an integral part of this statement.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Lighthouse Special Revenue Fund</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 26,314,779	\$ 55,061	\$ 26,369,840
Due from the state - proposition 10 and 56	637,706	-	637,706
Other receivables	1,147,530	-	1,147,530
Prepaid expenses	<u>6,028</u>	<u>-</u>	<u>6,028</u>
 Total assets	 <u>\$ 28,106,043</u>	 <u>\$ 55,061</u>	 <u>\$ 28,161,104</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 2,180,165	\$ 4,267	\$ 2,184,432
Accrued payroll and related taxes	<u>27,246</u>	<u>-</u>	<u>27,246</u>
 Total liabilities	 <u>2,207,411</u>	 <u>4,267</u>	 <u>2,211,678</u>
FUND BALANCE			
Nonspendable	6,028	-	6,028
Restricted	803,464	-	803,464
Committed	7,000,817	-	7,000,817
Assigned	<u>18,088,323</u>	<u>50,794</u>	<u>18,139,117</u>
 Total fund balance	 <u>25,898,632</u>	 <u>50,794</u>	 <u>25,949,426</u>
 Total liabilities and fund balance	 <u>\$ 28,106,043</u>	 <u>\$ 55,061</u>	 <u>\$ 28,161,104</u>

The notes to the basic financial statements are an integral part of this statement.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$ 25,949,426
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the funds.	14,202,621
Compensated absences liability is not due in the current period and, therefore, are not included in the funds.	<u>(44,860)</u>
Total net position - governmental activities	<u>\$ 40,107,187</u>

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Lighthouse Special Revenue Fund	Total
REVENUES			
Proposition 10 taxes	\$ 7,926,962	\$ -	\$ 7,926,962
Proposition 56 taxes	2,389,357	-	2,389,357
Grant revenue	1,640,983	-	1,640,983
Interest and investment earnings	171,176	6	171,182
Other revenue	301,037	98,827	399,864
	<u>12,429,515</u>	<u>98,833</u>	<u>12,528,348</u>
EXPENDITURES			
Program services	6,397,174	165,792	6,562,966
Evaluation services	443,920	-	443,920
Administrative costs	362,728	17,472	380,200
	<u>7,203,822</u>	<u>183,264</u>	<u>7,387,086</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,225,693</u>	<u>(84,431)</u>	<u>5,141,262</u>
OTHER FINANCING SOURCES (USES)			
Forgiveness of debt	-	10,956,060	10,956,060
Bad debt expense	(10,956,060)	-	(10,956,060)
	<u>(10,956,060)</u>	<u>10,956,060</u>	<u>-</u>
Net change in fund balance	(5,730,367)	10,871,629	5,141,262
Fund balance - beginning of year (restated)	<u>31,628,999</u>	<u>(10,820,835)</u>	<u>20,808,164</u>
Fund balance - end of year	<u>\$ 25,898,632</u>	<u>\$ 50,794</u>	<u>\$ 25,949,426</u>

The notes to the basic financial statements are an integral part of this statement.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - government fund	\$	5,141,262
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		(407,747)
Compensated absences expense reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds		(1,193)
Change in interest payable liability		13,841
Revenues in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues in the governmental funds.		<u>4,757,941</u>
Change in net position - governmental activities	\$	<u><u>9,504,104</u></u>

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – ORGANIZATION

The Children and Families Commission of Fresno County (the Commission), a component unit of Fresno County, was established by Fresno County Ordinance, Chapter 2.38, pursuant to the provision of Health and Safety Code Section 130140. The Commission was established for the support and improvement of early childhood development within Fresno County consistent with, and in furtherance of, the purposes of the California Children and Families Commission (the State), pursuant to Health and Safety Code Section 130125(b). The Commission consists of seven members appointed by the Fresno County Board of Supervisors.

The State of California implemented the “California Children and Families Act of 1998” which provides for the Commission to received proceeds from tax and tobacco products. The monies are allocated to local Children and Families Commissions by the State based on the number of births in each county in proportion to the total number of births in all counties.

A. Reporting Entity

The governmental reporting entity consists of the Commission and its component unit, Lighthouse for Children, Inc. Component units are legally separate organizations for which the Commission is financially accountable or organizations whose nature and significant relationship are such that exclusion would cause the Commission’s financials statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39 and No. 61, and thus is included in the financial statements of the Commission. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method because it provides services exclusively or almost exclusively to the Commission and a financial benefit relationship exists between the Commission and the component unit.

The blended component unit, Lighthouse for Children, Inc., a non-profit, benefit corporation, is governed by a board whose majority comprises Fresno County First 5 Commissioners. The specific charitable purposes of this corporation are: 1) to provide the vision and means for the children of Fresno County to enter school in good health, ready and able to learn, and emotionally well-developed by providing culturally, individually, and developmentally-appropriate parenting and nurturing support and access to resources regarding health care, nutrition, and smoking prevention and cessation; 2) to serve as an incubator for knowledge in the community regarding child welfare and development; 3) to generally carry out the goals of the Children and Families Commission of Fresno County; and 4) to develop infrastructure that promotes the social welfare of Fresno County children and their parents, and enables the corporation to better accomplish the above-stated purposes, which may include acquiring, owning, operating, and leasing property within a low-income community to community charities and businesses. This corporation is also authorized to receive contributions and to make donations to, and otherwise aid and support, legally permissible undertakings consistent with the above-stated purposes. Separate financial statements are prepared for Lighthouse for Children, Inc. and may be obtained from the Lighthouse for Children, Inc., 2405 Tulare Street, Fresno, California 93721.

The basic financial statements included in this report are intended to present the financial position and results of operations of only the Commission. They are not intended to present the financial position and the results of operations of the County of Fresno taken as a whole. For additional information regarding the County of Fresno, please refer to the Comprehensive Annual Financial Report available from the County of Fresno.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The basic financial statements of the Commission are prepared on the basis of Government Accounting Standards Board (GASB) statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*, and related standards. GASB Statement No. 34 established standards for external financial reporting for all state and local government entities which includes a management's discussions and analysis section, a statement of net position, a statement of activities, and if applicable, a statement of cash flows.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expense are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within 60 days thereafter. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The Commission reports the following major governmental funds:

The **General Fund** accounts for those operations that provide services to the public.

The **Lighthouse Special Revenue Fund** accounts for the activity of Lighthouse for Children, Inc., a blended component unit of the Commission.

Both the Commission and the Lighthouse for Children, Inc. adopt annual appropriated budgets. Budgetary comparison schedules have been provided for the funds to demonstrate compliance with the budgets.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Budgetary Procedures

The Commission is required to prepare a budget each year based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with GAAP. Budgetary control is exercised at the major object level. All changes to the budget during the year require the approval of the Commission. All unencumbered annual appropriations lapse at the end of each fiscal year.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term debt obligations, which have not matured, are recognized when paid in the governmental fund as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental fund but are recognized in the governmental-wide statements.

Investments

The Commission is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchased or reverse repurchase agreements.

State statutes and the Commission's Investment Policy authorize the Commission to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchases agreements, and the State Treasurer's Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer.

Accounts Receivable

The Commission utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2021, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Long-Term Advance

The Commission advanced funds to Lighthouse for Children, Inc. (acting like a loan receivable) for the purpose of creating an investment fund. As part of this arrangement, the Commission would receive payment from Lighthouse for Children, Inc. in accordance with the note payable agreements. The loan was forgiven during the year-ended June 30, 2021.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of the asset are capitalized. The Commission does not possess any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method over the following estimated useful life:

Buildings	15-90 years
Building Improvements	10-80 years
Leasehold Improvements	5-20 years
Equipment	3-20 years

Accrued Liabilities and Long-Term Obligations

All current and long-term obligations are reported in the government-wide financial statements. Compensated absences that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment at year end.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Compensated Absences

The Commission maintains a Paid Time Off (PTO) program that combines vacation and sick leave benefits into a single PTO bank. Beginning with an eligible employee's first day of employment, PTO will accrue at a rate of 6.154 hours per pay period. After five years of continuous employment, the accrual rate will increase to 7.69 hours per pay period. Once 300 hours are accrued, PTO will no longer accrue until some of the previously accrued PTO is taken. After some PTO is taken, PTO, again, begins to accrue. Payment in lieu of PTO will not be made except at the time of employment status change, i.e., from a position that earns PTO to a position that does not earn vacation, or at the time of termination of employment. In the basic financial statements, these amounts are referred to as compensated absences.

In the governmental fund financial statements, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations or retirements prior to year-end, and payment of the liability is made subsequent to year-end. This is in accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Fund Balance

Fund Balance Classification

The governmental fund financial statements present fund balances on classifications that comprise a hierarchy that is based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted* – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of the Children and Family Commission. These amounts cannot be used for any other purpose unless the Board of the Children and Family Commission remove or change the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- *Assigned* – This classification includes amounts that are constrained by the Commission's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of the Children and Families Commission. Further, the Commission may designate a body/committee or an official who can specify such purposes, such as through the budgetary process.
- *Unassigned* – This classification includes any negative residual amounts that may exist as a result of expenditures incurred for specific purposes in excess of amounts restricted, committed or assigned to those purposes.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund Balance (Continued)

Fund Balance Classification (Continued)

The Commission establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved contracts. Assigned fund balance is established by the Commission through adoption or amendment of the budget, or future year budget, plan as intended for a specific purpose.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Position

Net position represents the residual interest in the Commission's assets after liabilities are deducted. In the government-wide financial statement, net position is reported in three categories as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those.
- *Restricted* – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets". The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – CASH AND INVESTMENTS

Cash and investments consist of the following as of June 30, 2021:

Cash in banks	\$ 3,002,384
Investments	<u>23,367,456</u>
 Total cash and investments	 <u>\$ 26,369,840</u>

A. Policies and Practices

The Commission is authorized under California Government Code to make direct investments. Details regarding the types of allowable investments and any limitations are listed under General Authorization of this Note.

B. Investment in County Treasury

The Commission is considered to be a voluntary participant in an external investment pool as the Commission deposits many receipts and collections of monies with the County Treasurer. The fair value of the Commission's investment in the pool is reported in the financial statements at amounts based upon the Commission's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

C. General Authorization

As per California Government Code and the Commission's Investment Policy, limitations to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	10%
Mutual Funds	n/a	20%	10%
Money Market Mutual Funds	n/a	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	n/a	None	None
Local Agency Investment Fund (LAIF)	n/a	None	None
Joint Power Agency (JPA) Pools (other investment pools)	n/a	None	None

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Commission manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

E. Segmented Time Distribution

Information about the sensitivity of the fair values of the Commission's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the Commission's Investments by maturity:

Investment Type	Amount	Remaining Maturity (in months)		
		12 months or less	13 to 24 months	25 to 60 months
U.S. Treasuries	\$ 5,142,353	\$ 172,577	\$ 2,263,754	\$ 2,706,022
Federal Agencies (non-callable)	1,842,287	-	335,330	1,506,957
Federal Agency Mortgage Backed Securities	388,425	1,445	144,865	242,115
Supranationals	245,686	-	62,079	183,607
Municipal Obligations	629,917	-	-	629,917
Negotiable Certificates of Deposit	457,053	100,902	356,151	-
Corporate Notes	2,444,458	304,814	126,967	2,012,677
Asset-Backed Securities	505,371	-	81,909	423,462
Money Market Mutual Funds	51,611	51,611	-	-
County Pooled Investments Funds	11,660,295	11,660,295	-	-
Total	\$ 23,367,456	\$ 12,291,644	\$ 3,371,055	\$ 7,704,757

F. Credit Rate Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Commission's Investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2021.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year-End										Not Rated	
			AAA	AA+	AA	AA-	A+	A	A-	A-1+	BBB+			
U.S. Treasuries	\$ 5,142,353	N/A	\$ -	\$ 5,142,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Federal Agencies (non-callable)	1,842,287	N/A	-	1,842,287	-	-	-	-	-	-	-	-	-	-
Federal Agency Mortgage Backed Securities	388,425	N/A	-	388,425	-	-	-	-	-	-	-	-	-	-
Supranationals	245,686	AAA	245,686	-	-	-	-	-	-	-	-	-	-	-
Municipal Obligations	629,917	N/A	31,359	288,698	201,763	-	30,389	-	-	-	-	-	-	77,708
Negotiable Certificates of Deposit	457,053	A-	-	-	-	178,872	101,926	75,352	-	100,903	-	-	-	-
Corporate Notes	2,444,458	A-	-	75,860	64,859	76,756	679,649	271,067	688,327	-	587,940	-	-	-
Asset-Backed Securities	505,371	AA	455,238	-	-	-	-	-	-	-	-	-	-	50,133
Money Market Mutual Funds	51,611	AAA	51,611	-	-	-	-	-	-	-	-	-	-	-
County Pooled Investments Funds	11,660,295	N/A	-	-	-	-	-	-	-	-	-	-	-	11,660,295
Total	\$ 23,367,456		\$ 783,894	\$ 7,737,623	\$ 266,622	\$ 255,628	\$ 811,964	\$ 346,419	\$ 688,327	\$ 100,903	\$ 587,940		\$ 11,788,136	

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – CASH AND INVESTMENTS (Continued)

G. Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represents 5% or more of the total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>% of Total Investments</u>
Fresno County Investment Pool	Investment Pool	\$ 11,660,295	49.9%
U.S. Treasury	Treasury Securities	\$ 5,142,353	22.0%

H. 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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Commission’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Commission’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

Bank balances were \$2,947,287, the total amount of which was insured and/or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the name of the Commission.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). The Commission has no custodial credit risk exposure for investments because all the Commission’s investments are held in a third-party custodian bank in the name of the Commission.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – FAIR VALUE MEASUREMENTS

In accordance with generally accepted accounting principles, fair value is defined as the price that the Commission would receive upon selling an asset or have paid to transfer a liability at the reporting date. Generally accepted accounting principles established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the reporting entity’s own assumptions about the factors market participants would use in pricing the asset or liability developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and fair value is determined through the use of other valuation methodologies

Level 3 – Valuations based on inputs that are not observable and significant to the overall fair value measurements, including the Commission’s own assumptions in determining the fair value of assets or liabilities.

The following is a summary of the inputs used as of June 30, 2021, in valuing the Commission’s assets carried at fair value:

<u>Investments by fair value level</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasuries	\$ 5,142,353	\$ -	\$ 5,142,353	\$ -
Federal Agencies (non-callable)	1,842,287	-	1,842,287	-
Federal Agency Mortgage Backed Securities	388,425	-	388,425	-
Supranationals	245,686	-	245,686	-
Municipal Obligations	629,917	-	629,917	-
Negotiable Certificates of Deposit	457,053	-	457,053	-
Corporate Notes	2,444,458	-	2,444,458	-
Asset-Backed Securities	<u>505,371</u>	<u>-</u>	<u>505,371</u>	<u>-</u>
 Total investments measured by fair value	 <u>\$ 11,655,550</u>	 <u>\$ -</u>	 <u>\$ 11,655,550</u>	 <u>\$ -</u>
 Investments not subject to fair value hierarchy				
Money Market Mutual Funds	51,611			
County Pooled Investments Funds	<u>11,660,295</u>			
 Total investments	 <u>\$ 23,367,456</u>			

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021, consisted of intergovernmental grants, entitlements, state apportionments and local sources. All receivables consisted of the following:

State government:	
Proposition 10	\$ 637,706
Other sources	<u>1,147,530</u>
 Total	 <u>\$ 1,785,236</u>

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Capital assets not being depreciated:				
Land	\$ 676,530	\$ -	\$ -	\$ 676,530
Total capital assets not being depreciated	<u>676,530</u>	<u>-</u>	<u>-</u>	<u>676,530</u>
Capital assets being depreciated:				
Equipment	119,310	-	-	119,310
Buildings and Improvements	<u>16,131,643</u>	<u>-</u>	<u>-</u>	<u>16,131,643</u>
Total capital assets being depreciated	<u>16,250,953</u>	<u>-</u>	<u>-</u>	<u>16,250,953</u>
Less accumulated depreciation:				
Equipment	(105,064)	(4,456)	-	(109,520)
Buildings and improvements	<u>(2,212,051)</u>	<u>(403,291)</u>	<u>-</u>	<u>(2,615,342)</u>
Total accumulated depreciation	<u>(2,317,115)</u>	<u>(407,747)</u>	<u>-</u>	<u>(2,724,862)</u>
Total capital assets being depreciated, net	<u>13,933,838</u>	<u>(407,747)</u>	<u>-</u>	<u>13,526,091</u>
Total capital assets, net	<u>\$ 14,610,368</u>	<u>\$ (407,747)</u>	<u>\$ -</u>	<u>\$ 14,202,621</u>

Depreciation expense for the year ended June 30, 2021 was \$407,747.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable consist of the following as of June 30, 2021:

Program grantees and expenses	\$ 2,177,047
Vendors	<u>7,385</u>
 Total	 <u>\$ 2,184,432</u>

NOTE 8 – LONG-TERM OBLIGATIONS

Long term obligations activity for the year ended June 30, 2021 were as follows:

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021	Due within One Year
Governmental activities:					
Notes payable	\$ 4,757,941	\$ -	\$ (4,757,941)	\$ -	\$ -
Compensated absences	<u>43,667</u>	<u>48,363</u>	<u>(47,170)</u>	<u>44,860</u>	<u>21,773</u>
 Total	 <u>\$ 4,801,608</u>	 <u>\$ 48,363</u>	 <u>\$ (4,805,111)</u>	 <u>\$ 44,860</u>	 <u>\$ 21,773</u>

A. Compensated Absences – Governmental Activities

Compensated absences, which combines vacation and sick leave benefits into a single PTO bank account, amounted to \$44,860 at June 30, 2021.

NOTE 9 – NEW MARKETS TAX CREDIT

New Markets Tax Credit (NMTC) are designed to infuse private sector capital into previously overlooked communities by providing a tax credit for the qualified investors designated as Community Development Entities (CDEs). The NMTC transaction structure involves the leverage of a lender to provide funding into a newly created investment fund (the Fund). A separate investor, then provides the equity into the Fund. The Fund then loans the full amount of the financial transaction to the CDEs, who in turn loans the funds to the Qualified Active Low-Income Community Business (QALICB). This arrangement provides credits against the investor and CDEs federal tax obligations. The NMTC transaction is active for seven years at which time the investor will “put” the transaction and allow the leverage lender to acquire 100% interest in the Fund.

The Commission recognized the need for a high-quality childcare facility that would include an array of services to families with young children. The Commission committed to being the leverage lender for the qualifying NMTC project deemed the Lighthouse for Children Facility. In 2013, the Commission created Lighthouse for Children, Inc. (LFC), a 501(c)(3) non-profit public benefit corporation, as the QALICB, since the Commission was not eligible to be the QALICB. The result was the construction of the Lighthouse for Children Facility completed in 2015.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – NEW MARKETS TAX CREDIT (Continued)

The seventh and final year of the Lighthouse for Children Facility NMTC transaction came to an end on December 14, 2020. All NMTC requirements were met and both the Commission and the LFC were found to be in good standing. The NMTC structure for the project was dissolved resulting in the Commission, the original leverage lender, holding the interest of the Fund with the Lighthouse for Children Facility and land being held by LFC.

As of March 1, 2021, the LFC board decided to deed the building to the Commission in exchange for forgiving the remaining loan balance of \$10,956,060. The financial statements reflect this transfer of the building and land from LFC to the Commission.

The net effect as it relates to the notes payable balance as of June 30, 2021, is the forgiveness of that debt and is shown as part of Note 8.

NOTE 10 – POSTEMPLOYMENT BENEFITS

The Commission's 401(a) Plan (the Plan) is a defined contribution pension plan established by the Commissioners of the Commission and administered through ICMA-RC, a non-profit independent financial services corporation. The provisions and contribution requirements of the Plan are established and may be amended by the Commissioners of the Commission. The Plan covers all full-time employees and provides for immediate 100 % vesting for the participants. The Commission makes contributions of 8.74 % of compensation to the Plan. The Commission made contributions to the Plan of \$59,337 for the year ended June 30, 2021.

The Commission also offers its employees a deferred compensation plan created in accordance with IRC Section 457 and administered through ICMA-RC, a non-profit independent financial services corporation. The Plan, available to all full-time Commission employees, permits them to defer a portion of their current salary until future years. The Commission is not required to make contributions to the plan, and all contributions made to the Plan are solely at the discretion of the employees.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The Commission has determined that certain transactions recorded in the current year were applicable to the prior year. The beginning fund balance of the General Fund has been restated in the financial statements as presented in the reconciliation below:

Fund balance, July 1, 2020, previously reported	\$ 32,260,420
Adjustment for expenses applicable to prior year	<u>(631,421)</u>
Fund balance, July 1, 2020, restated	<u>\$ 31,628,999</u>

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – FUND BALANCE

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balance as of June 30, 2021 is as follows:

Nonspendable:	
Prepaid vendor	\$ 6,028
Restricted:	
Outside grant funding	803,464
Committed:	
Awarded and unpaid grants	7,000,817
Assigned:	
First 5 Initiatives	18,088,323
Lighthouse Special Revenue Fund	<u>50,794</u>
 Total fund balance	 <u>\$ 25,949,426</u>

NOTE 13 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, employee's health and natural disasters. The Commission manages these various risks of loss by purchasing commercial insurance coverage. Their policy includes coverage for bodily injury, property damage, personal injury, automobile liability, directors' and officers' liability, public officials' errors and omissions, and non-owned and hired autos. In addition, the Commission maintains a workers' compensation insurance policy and a health benefits insurance package for its employees. Settlements have not exceeded covered amounts for the past three years.

NOTE 14 – EVALUATION EXPENDITURES

The Commission expended \$443,920 on program evaluation during the fiscal year ended June 30, 2021.

NOTE 15 – ECONOMIC DEPENDENCY

The Commission received the majority of its funding from one source, taxes imposed by Section 30131.2 of the California Tax and Revenue Code. This code imposes additional taxes on the sale of cigarettes and tobacco products. The total amount of funding from the additional taxes was \$10,316,319, or 82.34%, of the total revenue for the year ended June 30, 2021. The Commission is thus subject to possible risk of reductions in services and/or closure due to potential future changes of Section 30131.2 of the California Tax and Revenue Code.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation.

A. Grantee Obligations

As of June 30, 2021, the Commission's remaining obligations to grantees of \$7,000,817 is included as committed fund balance.

B. Litigation

In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Commission.

NOTE 17– UNCERTAINTY

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. Accordingly, some functions of the Commission's operations have been limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

NOTE 18 – SUBSEQUENT EVENTS

The Lighthouse for Children (LFC) Board and the First 5 Fresno County Commission intend to further engage in discussions regarding the future of the LFC non-profit. Subsequent LFC Board meetings will include options, brought forth by management, for consideration.

Management has evaluated and concluded that there were no other subsequent events that have occurred from June 30, 2021, through the date the financial statements were available to be issued at October 8, 2021 that would require disclosure or adjustment.

REQUIRED SUPPLEMENTARY INFORMATION

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GENERAL FUND
(BUDGET TO ACTUAL)
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Proposition 10 taxes	\$ 7,865,000	\$ 7,865,000	\$ 7,926,962	\$ 61,962
Proposition 56 taxes	-	-	2,389,357	2,389,357
Grant revenue	1,285,791	1,445,791	1,640,983	195,192
Interest and investment earnings	110,000	110,000	171,176	61,176
Other revenue	100,000	150,000	301,037	151,037
	<u>9,360,791</u>	<u>9,570,791</u>	<u>12,429,515</u>	<u>2,858,724</u>
EXPENDITURES				
Salaries and employee benefits	1,151,887	1,104,377	919,153	185,224
Services and supplies	450,774	476,432	281,971	194,461
Evaluation services	40,000	547,000	412,933	134,067
Grant expenditures	7,358,130	12,915,126	5,589,765	7,325,361
	<u>9,000,791</u>	<u>15,042,935</u>	<u>7,203,822</u>	<u>7,839,113</u>
Excess (deficiency) of revenues over (under) expenditures	<u>360,000</u>	<u>(5,472,144)</u>	<u>5,225,693</u>	<u>10,697,837</u>
OTHER FINANCING SOURCES (USES)				
Bad debt expense	-	-	(10,956,060)	(10,956,060)
	<u>-</u>	<u>-</u>	<u>(10,956,060)</u>	<u>(10,956,060)</u>
Net change in fund balance	<u>\$ 360,000</u>	<u>\$ (5,472,144)</u>	<u>(5,730,367)</u>	<u>\$ (258,223)</u>
Fund balance - beginning of year (restated)			<u>31,628,999</u>	
Fund balance - end of year			<u>\$ 25,898,632</u>	

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – LIGHTHOUSE SPECIAL REVENUE FUND
(BUDGET TO ACTUAL)
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Other revenue	\$ 148,000	\$ 148,000	\$ 98,827	\$ (49,173)
Annual rent income	-	-	6	6
Total revenues	<u>148,000</u>	<u>148,000</u>	<u>98,833</u>	<u>(49,167)</u>
EXPENDITURES				
Administrative contract	3,643	3,643	3,413	230
Insurance and tax expense	11,708	11,708	8,357	3,351
Professional services expense	17,300	17,300	5,702	11,598
New Markets Tax Credit expense	<u>115,349</u>	<u>115,349</u>	<u>165,792</u>	<u>(50,443)</u>
Total expenditures	<u>148,000</u>	<u>148,000</u>	<u>183,264</u>	<u>(35,264)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(84,431)</u>	<u>(84,431)</u>
OTHER FINANCING SOURCES (USES)				
Forgiveness of debt	<u>-</u>	<u>-</u>	<u>10,956,060</u>	<u>10,956,060</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,956,060</u>	<u>10,956,060</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	10,871,629	<u>\$ 10,871,629</u>
Fund balance - beginning of year			<u>(10,820,835)</u>	
Fund balance - end of year			<u>\$ 50,794</u>	

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The Commission adopts a budget annually in accordance with generally accepted accounting principles based on estimates of revenue and anticipated expenditures. All annual appropriations lapse at fiscal year end.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Lighthouse Special Revenue Fund incurred expenditures in excess of appropriations for the following amounts for the year ended June 30, 2021:

New Markets Tax Credit Expense	\$50,443
--------------------------------	----------

Expenditures in excess of appropriations would be covered by the available fund balance in the General Fund.

The excess appropriations from the New Markets Tax Credit (NMTC) expense represent funds held in reserve accounts by Lighthouse for Children, Inc. NMTC partners (Low Income Investment Fund and Central Valley NMTC, LLC.). The funds in the reserve accounts are released to the Lighthouse for Children, Inc. NMTC loan lender for the sole purpose of those expenses only and are separate from Lighthouse for Children, Inc.'s operating accounts. The reserve accounts are reconciled to Lighthouse for Children, Inc.'s general ledger but are neither budgeted nor paid for from Lighthouse for Children, Inc. operating funds. Similarly, the revenue/income amount that off-set the excess appropriations is held in the reserve accounts and is neither budgeted nor received by Lighthouse for Children, Inc.

OTHER SUPPLEMENTARY INFORMATION

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
 SUPPLEMENTAL SCHEDULE OF FIRST 5 CALIFORNIA (F5CA) FUNDING
 FOR THE YEAR ENDED JUNE 30, 2021**

(A COMPONENT UNIT OF THE COUNTY OF FRESNO, CALIFORNIA)

<u>PROGRAM OR PROJECT TITLE</u>		<u>REVENUE</u> <u>F5CA</u>	<u>EXPENDITURES</u>	<u>CHANGE IN</u> <u>NET POSITION</u>	<u>NET POSITION</u> <u>BEG OF YEAR</u>	<u>NET POSITION</u> <u>END OF YEAR</u>
First 5 IMPACT Program	IMPACT Hub Program Funds	\$ 718,097	\$ 604,098	\$ 113,999	\$ -	\$ 113,999
	County, Local IMPACT Funds	670,769	670,769	-	-	-
	Dual Language Pilot Projects Funds	71,753	84,040	(12,287)	-	(12,287)
	Home Visitation Coordination	19,392	19,392	-	-	-
TOTAL F5CA FUNDS		\$ 1,480,011	\$ 1,378,299	\$ 101,712	\$ -	\$ 101,712

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OTHER INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of
Children and Families Commission of Fresno County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Children and Families Commission of Fresno County (the Commission), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 8, 2021.

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.

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Clovis, CA 93611

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Compliance and Other Matters

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

Purpose of this Report

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

Price Pange & Company

Clovis, California
October 8, 2021



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Commissioners of
Children and Families Commission of Fresno County

Report on Compliance

We have audited the Children and Families Commission of Fresno County's (the Commission) compliance with the types of compliance requirements specified in the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, issued by the State Controller's Office. Those standards and the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the statutory requirements listed below. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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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 Plan	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefits Policies	2	Yes

Opinion

In our opinion, the Commission, complied, in all material respects, with the types of 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, 2021.

Price Pange & Company

Clovis, California
October 8, 2021

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
SUMMARY SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified - not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> No	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

SECTION II – FINANCIAL STATEMENT FINDINGS

No findings in the current year.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 2020-001 – Financial Close and Reporting Process (Material Weakness)

- Condition:** The Commission did not properly perform year-end closing procedures as it relates to the recording of revenue/receivables. We identified a missing revenue/receivable amount during our audit for \$653,705 that was not recorded as of June 30, 2020. We proposed the necessary accounting entries to correct the balances of these accounts. Management agrees with our adjustments and will post the entries, so the Commission’s trial balance reconciles to the issued Financial Statements.
- Criteria:** A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).
- Cause:** Internal controls over the year-end financial reporting process were not properly designed and were not placed in operation.
- Effect:** As a result of this condition, revenue/receivables were initially misstated.
- Recommendation:** The Commission should enhance its year-end financial close procedures to include the additional steps necessary to ensure proper reconciliation and reporting of all significant account balances, in addition to ensuring there are supporting schedules to support those balances.
- Status:** Implemented.