

Children and Families Commission of Fresno County | Fresno, CA

Financial Statements

For the Year Ended June 30, 2024



PRICE PAIGE & COMPANY
Certified Public Accountants

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Financial Statements

For the Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2024, 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 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, 2024, 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.

Basis for Opinions

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. 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.

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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 generally accepted auditing standards 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 generally accepted auditing standards 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 on pages 5-11 and 40-42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Supplemental Schedule of First 5 California (F5CA) Funding is presented for purposes of additional analysis and are 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

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 4, 2024, 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 4, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Management's Discussion and Analysis

June 30, 2024

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.

This report contains a discussion of key program, management, financial, and performance information for fiscal year 2023-2024 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, 2024.

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 2023-2024, the Commission allocated and received Proposition 10 revenues of \$5.7 million from the State of California as revenues collected under the Children and Families Act, \$2.2 million in backfill dollars from Proposition 56, \$55k as part of the Surplus Money Investment Fund (SMIF), and received \$164k from the California Electronic Cigarette Excise Tax (CECET).
- The Commission disbursed approximately \$9 million to funded agencies and programmatic expenses in the reported period ending June 30, 2024.
- Over \$8.8 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.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Management's Discussion and Analysis

June 30, 2024

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, 2024

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The Commission's total assets were approximately \$51.5 million at the end of the fiscal year. The majority of the Commission's assets are in cash and investments of \$35 million along with the Lighthouse for Children building valued at \$12.3 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. Types of investments and credit ratings can be found in this report starting on page 29. Another asset is the Commission's approximately \$1 million receivable due from the State Commission for Proposition 10 and other tax-associated revenue (page 14). These receivables represent taxes remitted by the State but not received by the Commission as of June 30, 2024. The Commission also reports accounts payable of approximately \$3.3 million representing payments due on invoices.

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

| | June 30, 2024 | June 30, 2023 | Change |
|---|----------------------|----------------------|---------------------|
| ASSETS | | | |
| Cash and investments | \$ 35,011,191 | \$ 32,665,443 | \$ 2,345,748 |
| Due from the State | 1,007,826 | 1,168,785 | (160,959) |
| Other receivables | 2,130,931 | 1,286,309 | 844,622 |
| Lease receivable | 283,709 | 366,193 | (82,484) |
| Prepaid assets | 62,439 | 10,969 | 51,470 |
| Capital assets, not being depreciated | 676,530 | 676,530 | - |
| Capital assets, net of accumulated depreciation | <u>12,332,303</u> | <u>12,804,128</u> | <u>(471,825)</u> |
| Total assets | <u>51,504,929</u> | <u>48,978,357</u> | <u>2,526,572</u> |
| LIABILITIES | | | |
| Current liabilities | 3,314,939 | 2,816,883 | 498,056 |
| Noncurrent liabilities | <u>24,877</u> | <u>28,729</u> | <u>(3,852)</u> |
| Total liabilities | <u>3,339,816</u> | <u>2,845,612</u> | <u>494,204</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Lease related | <u>362,867</u> | <u>416,967</u> | <u>(54,100)</u> |
| Total deferred inflows of resources | <u>362,867</u> | <u>416,967</u> | <u>(54,100)</u> |
| NET POSITION | | | |
| Net investment in capital assets | 12,984,142 | 13,442,993 | (458,851) |
| Restricted | 1,503,029 | 1,446,677 | 56,352 |
| Unrestricted | <u>33,315,075</u> | <u>30,826,108</u> | <u>2,488,967</u> |
| Total net position | <u>\$ 47,802,246</u> | <u>\$ 45,715,778</u> | <u>\$ 2,086,468</u> |

In fiscal year 2023-2024, the Commission's net position increased by approximately \$2.1 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, 2024

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

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>Change</u> |
|-----------------------------|----------------------|----------------------|--------------------|
| REVENUES | | | |
| Grants and contributions | \$ 11,235,631 | \$ 10,173,084 | \$ 1,062,547 |
| General revenues (expenses) | <u>1,253,289</u> | <u>570,941</u> | <u>682,348</u> |
| Total revenue | <u>12,488,920</u> | <u>10,744,025</u> | <u>1,744,895</u> |
| EXPENSES | | | |
| Child development services | <u>10,402,452</u> | <u>8,600,951</u> | <u>1,801,501</u> |
| Total expenditures | <u>10,402,452</u> | <u>8,600,951</u> | <u>1,801,501</u> |
| Change in net position | <u>\$ 2,086,468</u> | <u>\$ 2,143,074</u> | <u>\$ (56,606)</u> |

FINANCIAL ANALYSIS OF THE COMMISSION’S GOVERNMENTAL FUND

For the fiscal year, the Commission reported an ending total fund balance of \$34,849,601, an increase of approximately \$2.5 million (see page 19).

Revenue and Expenditure Analysis – Governmental Funds

Total revenue consists of Proposition 10 funds, Proposition 56 and other tax-related funds, external grant revenues, investment earnings, and other revenues. As shown in the Governmental Fund Activities Comparison on the next page, there was an increase in total revenues from \$10.8 million, in the prior year, to approximately \$12.5 million for the fiscal year 2023-2024. Program Revenues decreased slightly, compared to the year ended June 30, 2023, by \$401k, including Proposition 10 Revenue decreasing by \$600K. Grant revenue from external sources such as First 5 California for IMPACT (Improve and Maximize Programs so All Children Thrive) efforts increased by \$1.5 million. Through this fiscal year’s activity, 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 on par with the prior year.

One example of program investments during the 2023-2024 fiscal year:

This fiscal year was a monumental moment for the Glow! Group Prenatal Care and Support Program. In 2015, First 5 Fresno County commissioned a needs assessment report to better understand the issues behind the appallingly high rates of infant mortality in Fresno County’s African American Community. Based on recommendations from the needs assessment, the Commission invested in multiple strategies including piloting the Glow! Group Prenatal Care and Support Program which, for the last five years, was implemented as part of a national study comparing individual and group prenatal care models. Participating in the study opened a door to deepen the research behind, and advocacy for reimagining prenatal care. As the research study concludes and final reports are in development, Glow! has entered a new phase and opportunity to ensure group care is informed by and accessible to Black birthing people and Group Care can be advocated for as an option for all, state-wide. The Commission coordinated the implementation of the Program (approximately \$1.65M over the five years of the study), through community-based organization partners, which was the draw of the \$5.6 million national study awarded the Commission’s partner UCSF San Francisco. With the study phase of the program complete, the Commission is committed to new partnerships with advancing and advocating for the Glow! Group Prenatal Care and Support Program to be an option for every mom in Fresno County and beyond.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Management's Discussion and Analysis

June 30, 2024

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

| | June 30, 2024 | June 30, 2023 | Change |
|--|---------------------|---------------------|------------------|
| REVENUES | | | |
| Program revenues | \$ 8,142,728 | \$ 8,544,306 | \$ (401,578) |
| Grant revenues | 3,092,903 | 1,628,778 | 1,464,125 |
| Other revenue | 208,463 | 202,979 | 5,484 |
| Investment earnings | 1,044,826 | 367,962 | 676,864 |
| | <u>12,488,920</u> | <u>10,744,025</u> | <u>1,744,895</u> |
| EXPENDITURES | | | |
| Program services | 9,000,895 | 7,043,013 | 1,957,882 |
| Evaluation services | 416,189 | 417,842 | (1,653) |
| Administrative costs | 512,659 | 504,194 | 8,465 |
| Debt service | 13,586 | 292,525 | (278,939) |
| Capital outlay | 3,182 | 325,064 | (321,882) |
| | <u>9,946,511</u> | <u>8,582,638</u> | <u>1,363,873</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds related to software subscription arrangements | - | 324,423 | (324,423) |
| | <u>-</u> | <u>324,423</u> | <u>(324,423)</u> |
| Change in fund balance | <u>\$ 2,542,409</u> | <u>\$ 2,485,810</u> | <u>\$ 56,599</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 2023-2024 as detailed in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual (shown on pages 40 and 41). In fiscal year 2023-2024, the Commission received actual revenues of \$12.5 million compared to the budgeted amount of \$8.2 million. In preparing the budget, the Commission considered variables such as declining tobacco consumption, the effects of changes in legislation on revenue, and market activity monitoring for investments. Actual total revenues were \$4.3 million more than budgeted, which was mainly due to receiving more Proposition 56 backfill than anticipated and the award of the First 5 California IMPACT (Improve and Maximize Programs so All Children Thrive) Grant, of which the Commission is the fiscal agent for the regional First 5 county Commissions, after the start of the fiscal year.

In fiscal year 2023-2024, actual expenditures were \$631k less than budgeted due to cost savings in the Commission's evaluation database and late execution of program contract agreements for new developing partnerships which will be expended in the subsequent fiscal year.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Management’s Discussion and Analysis

June 30, 2024

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets of \$13 million (net of accumulated depreciation) are for the Lighthouse for Children facility and equipment, the Huron land and child care facility, and associated equipment purchased. Details of net capital assets are as follows:

| | Governmental Activities | | Change |
|---|--------------------------|--------------------------|-----------------------|
| | June 30, 2024 | June 30, 2023 | |
| Capital assets not being depreciated | \$ 676,530 | \$ 676,530 | \$ - |
| Capital assets being depreciated | 16,214,405 | 16,487,257 | (272,852) |
| Accumulated depreciation and amortization | <u>(3,882,102)</u> | <u>(3,683,129)</u> | <u>(198,973)</u> |
| Total capital assets, net | <u>\$ 13,008,833</u> | <u>\$ 13,480,658</u> | <u>\$ 471,825</u> |

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 9 for details.

| | Balance 06/30/2023 | Additions | Deletions | Balance 06/30/2024 | Due within One Year |
|--------------------------|-----------------------|----------------------|------------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| Subscription liability | \$ 37,665 | \$ - | \$ (12,974) | \$ 24,691 | \$ 24,691 |
| Compensated absences | <u>34,407</u> | <u>69,912</u> | <u>(72,822)</u> | <u>31,497</u> | <u>6,620</u> |
| Total | <u>\$ 72,072</u> | <u>\$ 69,912</u> | <u>\$ (85,796)</u> | <u>\$ 56,188</u> | <u>\$ 31,311</u> |

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.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Management's Discussion and Analysis

June 30, 2024

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

- Help Me Grow– \$555k
- Thriving Families Service Programs – \$858k
- Community Learning Center – \$370k
- Patient-Centered Prenatal Care – \$396k
- African American Infant Mortality Prevention – \$929k
- Quality Rating Improvement System – \$1.5 million
- Innovation & Learning – \$471k

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Statement of Net Position

June 30, 2024

| | Governmental Activities |
|--------------------------------------|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 35,011,191 |
| Due from the State | 1,007,826 |
| Other receivables | 2,130,931 |
| Lease receivable | 283,709 |
| Prepaid assets | 62,439 |
| Capital assets not being depreciated | 676,530 |
| Capital assets, net | <u>12,332,303</u> |
| Total assets | <u>51,504,929</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 3,269,691 |
| Accrued payroll and related taxes | 13,937 |
| Noncurrent liabilities: | |
| Due in one year: | |
| Compensated absences | 6,620 |
| Software subscription liabilities | 24,691 |
| Due in more than one year: | |
| Compensated absences | <u>24,877</u> |
| Total liabilities | <u>3,339,816</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Lease related | <u>362,867</u> |
| Total deferred inflows of resources | <u>362,867</u> |
| NET POSITION | |
| Net investment in capital assets | 12,984,142 |
| Restricted | 1,503,029 |
| Unrestricted | <u>33,315,075</u> |
| Total net position | <u>\$ 47,802,246</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, 2024

| Functions/Programs | Expenses | Program Revenues Operating Grants and Contributions | Changes in Net Position |
|-------------------------------|----------------------|--|----------------------------|
| Child development services | \$ 10,402,452 | \$ 11,235,631 | \$ 833,179 |
| Total governmental activities | <u>\$ 10,402,452</u> | <u>\$ 11,235,631</u> | <u>833,179</u> |
| General revenues: | | | |
| | | | 1,044,826 |
| | | | <u>208,463</u> |
| | | | <u>1,253,289</u> |
| | | | 2,086,468 |
| | | | <u>45,715,778</u> |
| | | | <u>\$ 47,802,246</u> |

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

FUND FINANCIAL STATEMENTS

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Governmental Funds

Balance Sheet

June 30, 2024

| | General Fund | Lighthouse Special Revenue Fund | Total |
|--|----------------------|---------------------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 34,949,942 | \$ 61,249 | \$ 35,011,191 |
| Due from the State | 1,007,826 | - | 1,007,826 |
| Other receivables | 2,130,931 | - | 2,130,931 |
| Lease receivable | 283,709 | - | 283,709 |
| Prepaid expenses | 62,439 | - | 62,439 |
| | <u>38,434,847</u> | <u>61,249</u> | <u>38,496,096</u> |
| Total assets | <u>\$ 38,434,847</u> | <u>\$ 61,249</u> | <u>\$ 38,496,096</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 3,269,691 | \$ - | \$ 3,269,691 |
| Accrued payroll and related taxes | 13,937 | - | 13,937 |
| | <u>3,283,628</u> | <u>-</u> | <u>3,283,628</u> |
| Total liabilities | <u>3,283,628</u> | <u>-</u> | <u>3,283,628</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Lease related | 362,867 | - | 362,867 |
| | <u>362,867</u> | <u>-</u> | <u>362,867</u> |
| Total deferred inflows of resources | <u>362,867</u> | <u>-</u> | <u>362,867</u> |
| FUND BALANCES | | | |
| Nonspendable | 62,439 | - | 62,439 |
| Restricted | 1,503,029 | - | 1,503,029 |
| Committed | 8,802,007 | - | 8,802,007 |
| Assigned | 24,420,877 | 61,249 | 24,482,126 |
| | <u>34,788,352</u> | <u>61,249</u> | <u>34,849,601</u> |
| Total fund balances | <u>34,788,352</u> | <u>61,249</u> | <u>34,849,601</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 38,434,847</u> | <u>\$ 61,249</u> | <u>\$ 38,496,096</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 Funds Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2024

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

| | |
|--|----------------------|
| Total fund balances - governmental funds | \$ 34,849,601 |
| Capital assets of \$16,890,935, net of accumulated depreciation of \$3,882,102, used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds. | 13,008,833 |
| Compensated absences liability is not due in the current period and, therefore, is not included in the governmental funds. | (31,497) |
| Software subscription liabilities are not due in the current period and, therefore, are not included in the governmental funds. | <u>(24,691)</u> |
| Total net position - governmental activities | <u>\$ 47,802,246</u> |

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

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2024

| | General Fund | Lighthouse Special Revenue Fund | Total |
|--|----------------------|---------------------------------------|----------------------|
| REVENUES | | | |
| Proposition 10 taxes | \$ 5,686,525 | \$ - | \$ 5,686,525 |
| Proposition 56 taxes | 2,236,855 | - | 2,236,855 |
| Other tax revenue | 219,348 | - | 219,348 |
| Grant revenue | 3,092,903 | - | 3,092,903 |
| Other revenue | 198,463 | 10,000 | 208,463 |
| Investment earnings | 1,044,826 | - | 1,044,826 |
| | <u>12,478,920</u> | <u>10,000</u> | <u>12,488,920</u> |
| Total revenues | | | |
| EXPENDITURES | | | |
| Current: | | | |
| Program services | 9,000,895 | - | 9,000,895 |
| Evaluation services | 416,189 | - | 416,189 |
| Administrative costs | 506,401 | 6,258 | 512,659 |
| Debt service: | | | |
| Principal | 12,974 | - | 12,974 |
| Interest | 612 | - | 612 |
| Capital outlay | 3,182 | - | 3,182 |
| | <u>9,940,253</u> | <u>6,258</u> | <u>9,946,511</u> |
| Total expenditures | | | |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,538,667</u> | <u>3,742</u> | <u>2,542,409</u> |
| Net change in fund balances | 2,538,667 | 3,742 | 2,542,409 |
| Fund balances - beginning | <u>32,249,685</u> | <u>57,507</u> | <u>32,307,192</u> |
| Fund balances - ending | <u>\$ 34,788,352</u> | <u>\$ 61,249</u> | <u>\$ 34,849,601</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 Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2024

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

| | |
|--|---------------------|
| Net change in fund balances - governmental funds | \$ 2,542,409 |
| 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 and amortization expense. This is the amount by which depreciation expense and amortization exceeded capital outlays in the current period. | (471,825) |
| 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. | 2,910 |
| Software subscription liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. | <u>12,974</u> |
| Change in net position - governmental activities | <u>\$ 2,086,468</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

NOTE 1 – ORGANIZATION

The Children and Families Commission of Fresno County (the Commission) was established by Fresno County Ordinance, Chapter 2.38, pursuant to the provision of California 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 up to 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 receive 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 financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either the Commission’s ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on 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 Commission; 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 Annual Comprehensive Financial Report available from the County of Fresno.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The basic financial statements of the Commission are prepared on the basis of Governmental 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 expenses 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 balances) 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 90 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 all financial resources of the entity, except those required to be accounted for in another fund, including those services provided 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, 2024

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 Generally Accepted Accounting Principles (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 government-wide statements.

Cash and 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, repurchase agreements, and the State Treasurer’s Local Agency Investment Fund (LAIF). Investments held by the County Treasurer are stated at fair value in accordance with GASB requirements. 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, 2024, 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, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Leases

The Commission is a lessor for various leases of spaces within the Lighthouse for Children facility of which it owns. The Commission recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements as required by Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. At the commencement of a lease, the Commission initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Commission determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Commission uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. Refer to the Statement of Net Position for lease-related receivables and deferred inflows. More information on the leases held can be found in Note 7.

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 and amortization 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 |
| Right-to-use Software Arrangement | 2-5 years |

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Software Subscription Arrangements

The Commission has subscriptions for various information technology applications. The Commission recognizes subscription-based information technology arrangement (SBITA) liabilities and intangible right-to-use software arrangement assets in the government-wide financial statements as required by Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. At the commencement of a subscription arrangement, the Commission initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of the payments made. The Intangible Right-to-Use Software Arrangement asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the commencement of the subscription term. Subsequently, the intangible right-to-use software arrangement asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the Commission determines (1) the rate it uses to discount the expected SBITA payments to present value, (2) the SBITA term, and (3) the SBITA payments.

- The Commission uses the interest rate charged by the SBITA vendors as the discount rate. When the interest rate charged by the SBITA vendors is not provided, the Commission generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the non-cancellable period of the arrangement. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments made during the subscription term.

The Commission monitors changes in circumstances that would require a remeasurement of its SBITA liability and related asset and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the Statement of Net Position. Payments made on the SBITA liability are reported as debt service expenditures within the Statement of Revenues, Expenditures and Changes in Fund Balances.

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. More information can be found in Note 9.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

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.

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.

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.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

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)

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 amortization 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, 2024

NOTE 3 – CASH AND INVESTMENTS

Cash and investments consisted of the following as of June 30, 2024:

| | |
|--------------------------------|--------------------------|
| Cash in banks | \$ 2,161,321 |
| Investments | <u>32,849,870</u> |
| Total cash and investments | <u>\$ 35,011,191</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 the General Authorization section 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 Fresno 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 Fresno 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 Fresno 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:

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|-------------------------|--|---|
| 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, 2024

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.

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 | \$ 5,497,982 | \$ 176,063 | \$ 1,772,050 | \$ 3,549,869 |
| Federal Agencies (non-callable) | 501,218 | 57,393 | 443,825 | - |
| Federal Agency Mortgage Backed Securities | 1,605,598 | - | 212,038 | 1,393,560 |
| Municipal Obligations | 206,207 | - | 206,207 | - |
| Corporate Notes | 2,559,089 | 133,461 | 387,908 | 2,037,720 |
| Asset-Backed Securities | 1,223,928 | - | 25,515 | 1,198,413 |
| Money Market Mutual Funds | 79,926 | 79,926 | - | - |
| County Pooled Investments Funds | 21,175,922 | 21,175,922 | - | - |
| Total | \$ 32,849,870 | \$ 21,622,765 | \$ 3,047,543 | \$ 8,179,562 |

E. 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, 2024.

| Investment Type | Fair Value | Minimum Legal Rating | Rating as of Year-End | | | | | | | | | | |
|---------------------------------|----------------------|----------------------|-----------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------|-------------------|----------------------|------------|
| | | | AAA | AA+ | AA | AA- | A+ | A | A- | A-1+ | BBB+** | Not Rated** | |
| U.S. Treasuries | \$ 5,497,982 | N/A | \$ - | \$ 5,497,982 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal Agencies (non-callable) | 501,218 | N/A | - | 501,218 | - | - | - | - | - | - | - | - | - |
| Backed Securities | 1,605,598 | N/A | - | 1,605,598 | - | - | - | - | - | - | - | - | - |
| Municipal Obligations | 206,207 | N/A | - | 28,620 | 177,587 | - | - | - | - | - | - | - | - |
| Corporate Notes | 2,559,089 | A- | - | - | 121,847 | 249,017 | 481,776 | 498,626 | 773,435 | - | 434,388 | - | - |
| Asset-Backed Securities | 1,223,928 | AA- | 1,072,450 | - | - | - | - | - | - | - | - | - | 151,478 |
| Money Market Mutual Funds | 79,926 | AAA | 79,926 | - | - | - | - | - | - | - | - | - | - |
| County Pooled Investments Funds | 21,175,922 | N/A | - | - | - | - | - | - | - | - | - | - | 21,175,922 |
| Total | \$ 32,849,870 | | \$ 1,152,376 | \$ 7,633,418 | \$ 299,434 | \$ 249,017 | \$ 481,776 | \$ 498,626 | \$ 773,435 | \$ - | \$ 434,388 | \$ 21,327,400 | |

**Securities, not including the County Pooled Investment Funds, rated "BBB+" or "Not Rated" by S&P are rated "A-" (or the equivalent) or higher by Moody's and/or Fitch.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

NOTE 3 – CASH AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

The Commission’s Investment Policy 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> |
|----------------------------------|---------------------------|------------------------|-------------------------------|
| County Pooled Investments Funds | Investment Pool | \$ 21,175,922 | 64.5% |
| U.S. Treasuries | Treasury Securities | \$ 5,497,982 | 16.7% |
| Federal Home Loan Mortgage Corp. | Federal Agency Securities | \$ 1,702,168 | 5.2% |

G. 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 Commission has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The carrying amounts of the Commission’s cash deposits totaled \$2,161,321 at June 30, 2024. Bank balances were \$2,174,665, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions, but not in the Commission’s name.

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, 2024

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, 2024, in valuing the Commission’s assets carried at fair value:

| Investments by Fair Value Level | Total | Level 1 | Level 2 | Level 3 |
|--|---------------|---------|---------------|---------|
| U.S. Treasuries | \$ 5,497,982 | \$ - | \$ 5,497,982 | \$ - |
| Federal Agencies (non-callable) | 501,218 | - | 501,218 | - |
| Federal Agency Mortgage Backed Securities | 1,605,598 | - | 1,605,598 | - |
| Municipal Obligations | 206,207 | - | 206,207 | - |
| Corporate Notes | 2,559,089 | - | 2,559,089 | - |
| Asset-Backed Securities | 1,223,928 | - | 1,223,928 | - |
| Total investments measured by fair value | 11,594,022 | \$ - | \$ 11,594,022 | \$ - |
| Investments not subject to fair value hierarchy: | | | | |
| Money Market Mutual Funds | 79,926 | | | |
| County Pooled Investments Funds | 21,175,922 | | | |
| Total investments | \$ 32,849,870 | | | |

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

NOTE 5 – RECEIVABLES

Accounts receivable as of June 30, 2024, consisted of intergovernmental grants, entitlements, state apportionments and local sources. All receivables, other than lease receivable, consisted of the following:

| | |
|-------------------------------|----------------------------|
| State government: | |
| Proposition 10 | \$ 888,096 |
| Surplus Money Investment Fund | 55,329 |
| Other State taxes | <u>64,401</u> |
| Total State government | <u>1,007,826</u> |
| Other receivables: | |
| Grant receivables | 1,971,559 |
| Interest receivables | <u>159,372</u> |
| Total other receivables | <u>2,130,931</u> |
| Total receivables | <u><u>\$ 3,138,757</u></u> |

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024 was as follows:

| | Balance 6/30/2023 | Additions | Deletions | Balance 6/30/2024 |
|---|----------------------|---------------------|------------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 676,530 | \$ - | \$ - | \$ 676,530 |
| Total capital assets not being depreciated/amortized | <u>676,530</u> | <u>-</u> | <u>-</u> | <u>676,530</u> |
| Capital assets being depreciated/amortized: | | | | |
| Equipment | 31,191 | - | - | 31,191 |
| Buildings and improvements | 16,131,643 | - | - | 16,131,643 |
| Intangible right-to-use software arrangements | <u>324,423</u> | <u>-</u> | <u>(272,852)</u> | <u>51,571</u> |
| Total capital assets being depreciated/amortized | <u>16,487,257</u> | <u>-</u> | <u>(272,852)</u> | <u>16,214,405</u> |
| Less accumulated depreciation/amortization: | | | | |
| Equipment | (30,031) | (1,071) | - | (31,102) |
| Buildings and improvements | (3,421,924) | (403,291) | - | (3,825,215) |
| Intangible right-to-use software arrangements | <u>(231,174)</u> | <u>(67,463)</u> | <u>272,852</u> | <u>(25,785)</u> |
| Total accumulated depreciation/amortization | <u>(3,683,129)</u> | <u>(471,825)</u> | <u>272,852</u> | <u>(3,882,102)</u> |
| Total capital assets being depreciated/amortized, net | <u>12,804,128</u> | <u>(471,825)</u> | <u>-</u> | <u>12,332,303</u> |
| Total capital assets, net | <u>\$ 13,480,658</u> | <u>\$ (471,825)</u> | <u>\$ -</u> | <u>\$ 13,008,833</u> |

Depreciation/amortization expense for the year ended June 30, 2024 was \$471,825.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

NOTE 7 – LEASES

The Commission reported Leases Receivable of \$283,709 as of June 30, 2024, including \$85,118 in lease revenues and \$2,950 in lease interest revenues.

Office Space Lease – FCSS SELPA Department – On July 1, 2017, the Commission entered into a fourteen-year lease agreement with Fresno County Superintendent of Schools (FCSS), for the use of a portion (1,408 sq. ft.) of the third-floor office space at the Lighthouse for Children facility for their Special Education Local Plan Area (SELPA) Program staff. Based on this agreement, the Commission will receive monthly payments through June 2031. Either party may terminate the lease agreement for any reason with a ninety-day (90) written notice prior to the termination date. The tenant may request a lease extension by submitting a written notice ninety-days (90) prior to expiration of the current lease term. Both parties must agree to an extension upon negotiation of terms. The lease receivable was discounted to a net present value using a 0.9% interest rate, which was provided by the California State Controller’s Office.

Office Space Lease – FCSS Early Care & Education Department – On July 1, 2021, the Commission entered into a three-year lease agreement with Fresno County Superintendent of Schools (FCSS), Early Care & Education Department (ECE), for the use of a portion (23,427 sq. ft.) of the first floor and outdoor playground area at the Lighthouse for Children facility, to operate the Child Development Center. Based on this agreement, the Commission will receive monthly payments through June 2024. Either party may terminate the lease agreement for any reason with a written notice one-hundred twenty (120) days prior to the termination date. The tenant may request a lease extension by submitting a written notice ninety-days (90) prior to expiration of the current lease term. Both parties must agree to the upon negotiation of terms. The lease receivable was discounted to a net present value using a 0.2% interest rate, which was provided by the California State Controller’s Office.

The leases are summarized below by lease holder as follows:

| <u>Lease Holder</u> | <u>Lease Receivable</u> | <u>Lease Revenue</u> | <u>Lease Interest Revenue</u> |
|---------------------|-------------------------|----------------------|-------------------------------|
| FCSS - SELPA | \$ 283,322 | \$ 80,475 | \$ 2,944 |
| FCSS - CDC | <u>387</u> | <u>4,643</u> | <u>6</u> |
| Total | <u>\$ 283,709</u> | <u>\$ 85,118</u> | <u>\$ 2,950</u> |

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

NOTE 7 – LEASES (Continued)

Future lease principal and interest payments due to the Commission under non-cancelable agreements are as follows for the years ending June 30, 2024:

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|-------------------|-----------------|
| 2025 | \$ 39,777 | \$ 2,388 |
| 2026 | 39,746 | 2,032 |
| 2027 | 40,106 | 1,672 |
| 2028 | 40,468 | 1,310 |
| 2029 | 40,834 | 944 |
| 2030-2033 | <u>82,778</u> | <u>778</u> |
| Total | <u>\$ 283,709</u> | <u>\$ 9,124</u> |

NOTE 8 – ACCOUNTS PAYABLE

Accounts payable consisted of the following as of June 30, 2024:

| | |
|-------------------------------|---------------------|
| Program grantees and expenses | \$ 3,263,137 |
| Vendors | <u>6,554</u> |
| Total | <u>\$ 3,269,691</u> |

NOTE 9 – LONG-TERM OBLIGATIONS

Long term obligations activity for the year ended June 30, 2024 was as follows:

| | Balance 06/30/2023 | Additions | Deletions | Balance 06/30/2024 | Due within One Year |
|--------------------------|-----------------------|------------------|--------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| Subscription liability | \$ 37,665 | \$ - | \$ (12,974) | \$ 24,691 | \$ 24,691 |
| Compensated absences | <u>34,407</u> | <u>69,912</u> | <u>(72,822)</u> | <u>31,497</u> | <u>6,620</u> |
| Total | <u>\$ 72,072</u> | <u>\$ 69,912</u> | <u>\$ (85,796)</u> | <u>\$ 56,188</u> | <u>\$ 31,311</u> |

A. Compensated Absences – Governmental Activities

Compensated absences, which combines vacation and sick leave benefits into a single PTO bank account, amounted to \$31,497 at June 30, 2024.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

B. Subscription Liabilities

The Commission implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. The Commission has two software arrangements that require recognition under GASB No. 96. The Commission now recognizes subscription-based information technology arrangement (SBITA) liabilities and intangible right-to-use software arrangement assets for an accounting software and a data system hosting service. The software amortization expense is included within expenditures on the Statement of Activities related to the Commission’s SBITAs, which are included as Intangible Right-to-Use Software Arrangements in the Commission’s capital assets.

The Commission has an accounting software arrangement with a five-year term, initiated in fiscal year 2021 with an annual payment that ranges from \$10,406 to \$14,726. The Commission has used a 2.40% discount rate for this arrangement, which was provided by the California State Controller’s Office. There is no option to extend the agreement or purchase the software.

The Commission’s data system hosting service arrangement is a 12-month agreement, initiated in fiscal year 2023, with an annual payment of \$277,800. At the end of the arrangement, Early Quality Systems, Inc. agreed to extend the term for an additional three months through September 2023. There are no options to extend or purchase the software beyond this date. The Commission has used a 2.40% discount rate to determine the present value of the Intangible Right-to-Use Asset and SBITA liability, which was provided by the California State Controller’s Office. The Commission made its final payment on the subscription during the year.

A summary of future subscription payments under SBITA agreements is as follows:

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|------------------|---------------|
| 2025 | \$ 13,288 | \$ 297 |
| 2026 | <u>11,403</u> | <u>23</u> |
| Total | <u>\$ 24,691</u> | <u>\$ 320</u> |

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 MissionSquare Retirement. 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 for employees. For the year ended June 30, 2024, the Commission made contributions to the Plan of \$70,231.

The Commission also offers its employees a deferred compensation plan created in accordance with IRC Section 457 and administered through MissionSquare Retirement. 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 employees.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Basic Financial Statements

June 30, 2024

NOTE 11 – FUND BALANCE

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 2. A detailed schedule of fund balance as of June 30, 2024 is as follows:

| | |
|---------------------------------|----------------------|
| Nonspendable: | |
| Prepaid vendor | \$ 62,439 |
| Restricted: | |
| Outside grant funding | 1,503,029 |
| Committed: | |
| Awarded and unpaid grants | 8,802,007 |
| Assigned: | |
| First 5 initiatives | 24,420,877 |
| Lighthouse Special Revenue Fund | <u>61,249</u> |
| Total fund balance | <u>\$ 34,849,601</u> |

NOTE 12 – 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 13 – EVALUATION EXPENDITURES

The Commission expended \$416,189 on program evaluation during the fiscal year ended June 30, 2024.

NOTE 14 – 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 the Commission received from the additional taxes for the year ended June 30, 2024 was \$8,142,646, or 65.2%, of the total revenue for the year. 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, 2024

NOTE 15 – COMMITMENTS AND CONTINGENCIES

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

A. Grantee Obligations

As of June 30, 2024, the Commission's remaining obligations to grantees of \$8,802,007 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 16 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there were no subsequent events that have occurred from June 30, 2024, through the date the financial statements were available to be issued at October 4, 2024 that would require disclosure or adjustment.

REQUIRED SUPPLEMENTARY INFORMATION

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget to Actual)

General Fund

For the Year Ended June 30, 2024

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|-----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Proposition 10 taxes | \$ 5,350,821 | \$ 5,350,821 | \$ 5,686,525 | \$ 335,704 |
| Proposition 56 taxes | 1,717,688 | 1,717,688 | 2,236,855 | 519,167 |
| Other tax revenue | - | - | 219,348 | 219,348 |
| Grant revenue | 840,628 | 865,628 | 3,092,903 | 2,227,275 |
| Other revenue | 131,700 | 131,700 | 198,463 | 66,763 |
| Investment earnings | 158,559 | 158,559 | 1,044,826 | 886,267 |
| Total revenues | <u>8,199,396</u> | <u>8,224,396</u> | <u>12,478,920</u> | <u>4,254,524</u> |
| EXPENDITURES | | | | |
| Salaries and employee benefits | 1,140,165 | 1,135,362 | 928,465 | 206,897 |
| Services and supplies | 527,451 | 532,255 | 395,887 | 136,368 |
| Evaluation services | 450,000 | 505,000 | 416,189 | 88,811 |
| Grant expenditures | 6,013,210 | 8,330,969 | 8,182,944 | 148,025 |
| Debt service: | | | | |
| Principal | 48,070 | 47,974 | 12,974 | 35,000 |
| Interest | - | - | 612 | (612) |
| Capital outlay | <u>20,500</u> | <u>24,500</u> | <u>3,182</u> | <u>21,318</u> |
| Total expenditures | <u>8,199,396</u> | <u>10,576,060</u> | <u>9,940,253</u> | <u>635,807</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(2,351,664)</u> | <u>2,538,667</u> | <u>4,890,331</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (2,351,664)</u> | <u>2,538,667</u> | <u>\$ 4,890,331</u> |
| Fund balance - beginning | | | <u>32,249,685</u> | |
| Fund balance - ending | | | <u>\$ 34,788,352</u> | |

The Notes to the Required Supplementary Information are an integral part of this statement.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget to Actual)

Lighthouse Special Revenue Fund

For the Year Ended June 30, 2024

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|-------------------|-------------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Other revenue | \$ - | \$ - | \$ 10,000 | \$ 10,000 |
| Total revenues | - | - | 10,000 | 10,000 |
| EXPENDITURES | | | | |
| Insurance and tax expense | 599 | 599 | 538 | 61 |
| Professional services expense | 7,244 | 7,244 | 5,720 | 1,524 |
| Total expenditures | 7,843 | 7,843 | 6,258 | 1,585 |
| Excess (deficiency) of revenues over (under) expenditures | (7,843) | (7,843) | 3,742 | 11,585 |
| Net change in fund balance | <u>\$ (7,843)</u> | <u>\$ (7,843)</u> | 3,742 | <u>\$ 11,585</u> |
| Fund balance - beginning | | | 57,507 | |
| Fund balance - ending | | | <u>\$ 61,249</u> | |

The Notes to the Required Supplementary Information are an integral part of this statement.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Notes to the Required Supplementary Information

For the Year Ended June 30, 2024

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.

Beginning in early May, the Director of Business (the Director) works with Commission staff to identify needs for the upcoming year and where funds should be applied. On or prior to the June Commission Meeting, the Director presents the upcoming fiscal year’s proposed budget to the First 5 Commissioners for review. The Commissioners provide feedback, if any, and the Director updates accordingly. The final approved budget is then uploaded to the F5FC website in a timely manner.

The Commission’s budgeted expenditures are broken down into two categories, operating expenses and strategic plan investment expenses. The categories are further broken down within the approved budget by program area. The revenue estimates are created based on communications with First 5 California, historical increases/decreases and any changes in legislation that may affect the Commission.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund incurred expenditures in excess of appropriations for the following amounts for the year ended June 30, 2024:

| | | |
|---------------|----|-----|
| Debt service: | | |
| Interest | \$ | 612 |

Expenditures in excess of appropriations were funded by greater than anticipated revenues in the respective fund.

OTHER SUPPLEMENTARY INFORMATION

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Supplemental Schedule of First 5 California (F5CA) Funding

June 30, 2024

| <u>PROGRAM OR PROJECT TITLE</u> | | <u>REVENUE F5CA</u> | <u>EXPENDITURES</u> | <u>CHANGE IN NET POSITION</u> | <u>NET POSITION BEG OF YEAR</u> | <u>NET POSITION END OF YEAR</u> |
|---------------------------------|------------------------------|-------------------------|---------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| First 5 CA Program | IMPACT Hub Program Funds | \$ 2,604,231 | \$ 2,604,231 | \$ - | \$ 501 | \$ 501 |
| | Refugee Family Support Funds | <u>367,541</u> | <u>367,541</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL F5CA FUNDS | | <u>\$ 2,971,772</u> | <u>\$ 2,971,772</u> | <u>\$ -</u> | <u>\$ 501</u> | <u>\$ 501</u> |



**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
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Children and Families Commission of Fresno County (the Commission), as of and for the year ended June 30, 2024, 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 4, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611

tel 559.299.9540

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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 Page & Company

Clovis, California
October 4, 2024



INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

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

Report on Compliance

Opinion

We have audited the Children and Families Commission of Fresno County’s (Commission) compliance with the requirements specified in the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller’s Office, applicable to the Commission’s statutory requirements identified below for the year ended June 30, 2024.

In our opinion, the Children and Families Commission of Fresno County 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, 2024.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and*

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Families Act will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

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

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

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

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

Internal Control over Compliance

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

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

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

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

Price Page & Company

Clovis, California
October 4, 2024

FINDINGS AND QUESTIONED COSTS

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

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

None reported.

CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2024

FINANCIAL STATEMENT FINDINGS

None reported.