

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2020**

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
FINANCIAL STATEMENTS  
JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Children and Families Commission of Fresno County (the Commission) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Commission, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 34-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*Price Pange & Company*

Clovis, California  
October 16, 2020

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**INTRODUCTION**

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

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

This report contains a discussion of key program, management, financial, and performance information for fiscal year 2019-2020 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, 2020.

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 an accessible and effective network of quality 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 which aim to convert the Commission's commitment into action categorized into a three-tiered framework: 1) Families, 2) Communities, 3) Systems.

**FINANCIAL HIGHLIGHTS**

- During fiscal year 2019-2020, the Commission allocated and received revenues of approximately \$7.5 million from the State of California as revenues collected under the Children and Families Act and \$2.2 million in backfill dollars from Proposition 56.
- During fiscal year 2019-2020, the Commission disbursed approximately \$8.8 million to funded agencies.
- The Commission committed approximately \$8.5 million towards the agency's Strategic Plan, which will be disbursed in the subsequent fiscal years to fund its investments and approximately \$10.9 million of the Commission's fund balance is nonspendable for the Lighthouse for Children, Inc. facility leverage loan.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

## **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, 2020**

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

The Commission's total assets were approximately \$38.1 million at the end of the fiscal year. The majority of the Commission's assets are in cash and investments of \$21.1 million.

Cash and investments are maintained in the Commission's checking and savings accounts, the Fresno County investment pool where interest earned on the Commission's balance is apportioned to the Commission, and in an investment account. Please refer to pages 22 through 25 for types of investments and credit ratings. Another asset is the Commission's \$1.2 million receivable due from the State Commission for Proposition 10 and 56 (page 9). These receivables represent taxes remitted by the State but not received by the Commission as of June 30, 2020. The Commission also reports accounts payable of \$2.0 million representing payments due on invoices.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
<b>ASSETS</b>			
Cash and investments	\$ 21,129,212	\$ 16,120,568	\$ 5,008,644
Due from the state - proposition 10 and 56	1,190,663	2,704,113	(1,513,450)
Other receivables	1,160,917	1,301,395	(140,478)
Loans receivable, long-term (related party)	-	10,956,060	(10,956,060)
Capital assets, not being depreciated	676,530	27,450	649,080
Capital assets, net of accumulated depreciation	<u>13,933,838</u>	<u>573,090</u>	<u>13,360,748</u>
 Total assets	 <u>38,091,160</u>	 <u>31,682,676</u>	 <u>6,408,484</u>
<b>LIABILITIES</b>			
Current liabilities	2,366,961	2,209,021	157,940
Noncurrent liabilities	<u>4,489,695</u>	<u>45,389</u>	<u>4,444,306</u>
 Total liabilities	 <u>6,856,656</u>	 <u>2,254,410</u>	 <u>4,602,246</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,852,427	600,540	9,251,887
Restricted	46,799	-	46,799
Unrestricted	<u>21,335,278</u>	<u>28,827,726</u>	<u>(7,492,448)</u>
 Total net position	 <u>\$ 31,234,504</u>	 <u>\$ 29,428,266</u>	 <u>\$ 1,806,238</u>

In fiscal year 2019-2020, the Commission's net position increased by \$1,806,238, see above. The increase was due to the new inclusion of the Lighthouse for Children, Inc. as a blended entity compared to the prior year's format of showing Lighthouse for Children, Inc. as a separate component unit.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
<b>REVENUES</b>			
Program revenues	\$ 9,754,838	\$ 9,365,298	\$ 389,540
Grant revenues	1,814,846	2,375,221	(560,375)
General revenues	<u>1,128,175</u>	<u>974,241</u>	<u>153,934</u>
 Total revenue	 <u>12,697,859</u>	 <u>12,714,760</u>	 <u>(16,901)</u>
<b>EXPENDITURES</b>			
Program services	8,856,523	9,548,088	(691,565)
Evaluation services	513,634	687,817	(174,183)
Administrative costs	<u>418,437</u>	<u>376,819</u>	<u>41,618</u>
 Total expenditures	 <u>9,788,594</u>	 <u>10,612,724</u>	 <u>(824,130)</u>
 Change in net position	 <u>\$ 2,909,265</u>	 <u>\$ 2,102,036</u>	 <u>\$ 807,229</u>

**FINANCIAL ANALYSIS OF THE COMMISSION'S GOVERNMENTAL FUND**

For the fiscal year ended, the Commission reported an ending fund balance of \$32,260,420 (page 13). The increase of \$3,387,305 over the prior year represents the amount of excess revenues over expenditures for the year ended June 30, 2020. See pages 11 and 13 of the financial statements for the fund financial statements.

**Revenue and Expenditure Analysis – Governmental Fund**

Total revenues consist of Proposition 10 funds, Proposition 56 funds, external grant revenues, investment earnings, and other revenues. There was a slight decrease in total revenues from \$12.7 million, in the prior year, to \$12.5 million for the fiscal year 2019-2020. Proposition 10 revenues, compared to the year ended June 30, 2020 decreased by nearly \$949K, while investment earnings increased by \$90K, and back-fill received from Proposition 56 increased by \$1.4 million. Prop 56 funds are disbursed in arrears; these funds are monies received in the current fiscal year based on the prior fiscal year's consumption of applicable products. Grant revenue from external sources such as First 5 California for IMPACT (Improve and Maximize Programs so All Children Thrive) and Quality Rating and Improvement System (QRIS) efforts along with funding from the University of California, San Francisco (UCSF) for the GLOW! Group Prenatal Care Project decreased by \$560K. The Commission's goal to support and enhance the early childhood service system and their commitment to serving the young children and families in Fresno County remained consistent with the prior year.

Examples of program investments during the 2019-2020 fiscal year include the scaling of an innovative, collective impact approach to providing prenatal care in a group setting called the Glow! Contracted Network (Glow! CN). As the Commission's four-year pilot partnership with UCSF San Francisco, to provide the Glow! Group Prenatal Care Program reached its final year, the Program was recognized and awarded a research grant by the national Patient Centered Outcome Research Institute (PCORI). The four-year \$5.6 million PCORI research grant, awarded to UCSF, will involve 2,600 pregnant women to compare the traditional model of prenatal care with the Glow! Group Prenatal Care Program model to help future patients & policy makers determine which model is the best care option and better addresses high rates of premature birth, disrespectful care, poor maternal mental health, etc. The Commission contracted with three local Community-Based Organizations to act as the Glow! CN to administer the

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

Glow! Group Prenatal Care Program model throughout Fresno County for the PCORI study. Through an initial commitment of \$350k for the Glow! CN, the Commission reconfirmed its commitment to prevent premature births and infant mortality in Fresno County and the Commission intends to sustain its commitment.

With an investment of \$50k for the initial year, the Commission joined a collaborative including West Fresno Family Resources Center, the County of Fresno's Department of Public Health, UCSF San Francisco's Preterm Birth initiative and March of Dimes to create a local version of the national Best Babies Zone Initiative (BBZ) called Fresno GROWS. Fresno GROWS aims to reduce racial inequities in infant mortality and birth outcomes by mobilizing community residents and organizations to address the social, structural, and economic determinants of health and promote racial equity. Since being selected by the National Organization of Urban Maternal and Child Health Leaders to be part of the BBZ Cohort 4, West Fresno Family Resources Center has convened an African American Leadership Team to build a movement of activated citizens, focusing on the 93706 zip code in Southwest Fresno.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
<b>REVENUES</b>			
Program revenues	\$ 9,754,838	\$ 9,365,298	\$ 389,540
Grant revenues	1,814,846	2,375,221	(560,375)
General revenues	<u>1,128,175</u>	<u>974,241</u>	<u>153,934</u>
 Total revenues	 <u>12,697,859</u>	 <u>12,714,760</u>	 <u>(16,901)</u>
<b>EXPENDITURES</b>			
Program services	8,466,839	9,543,538	(1,076,699)
Evaluation services	513,634	687,817	(174,183)
Administrative costs	<u>402,097</u>	<u>376,819</u>	<u>25,278</u>
 Total expenditures	 <u>9,382,570</u>	 <u>10,608,174</u>	 <u>(1,225,604)</u>
 Change in net position	 <u>\$ 3,315,289</u>	 <u>\$ 2,106,586</u>	 <u>\$ 1,208,703</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 2019-2020 as detailed in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (shown on pages 34-36). In fiscal year 2019-2020 the Commission received actual revenues of \$12.5 million compared to the budgeted amount of \$10.8 million. In preparing the budget, the Commission considered variables such as declining tobacco consumption, the effects of changes in legislation, and lower returns on investments. Actual total revenues were \$1.6 million more than budgeted as more than anticipated backfill from Proposition 56 revenue was received. Interest and investment revenues were \$497K more than expected, and other revenues came in at \$72K more than expected.

The decline in Proposition 10 revenue is not something new to fiscal year 2019-2020. In 2016, the passage of Senate Bill X2-7 increased the smoking age from 18 to 21 and Proposition 56 imposed an additional \$2.00 tax on tobacco products and e-cigarettes. Original external projections on the impact of these laws showed a decrease in Proposition 10 revenue to county commissions by approximately seven percent; however revised estimates, received in January 2018, showed a steeper and more

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

immediate impact. Today, the passage of these two pieces of legislation, aimed to reduce tobacco consumption, continue their consequential effect- the gradual decline in revenue for the Commission.

In fiscal year 2019-2020 actual expenditures were \$7.6M less than budgeted. This is due to the Commission committing roughly \$6.5 million of that amount to be spent out in subsequent fiscal years.

A schedule of the Commission's original and final budget amounts compared with actual revenues and expenses is provided in the audited financial report, see pages 34-36.

**CAPITAL ASSETS AND LONG-TERM DEBT**

Capital assets of \$582,936 (net of accumulated depreciation) are for the Huron land and facility and equipment purchased. See Note 5 for more information on capital assets.

At the end of the current fiscal year, the Commission did not have any outstanding long-term debt, however, the Commission does have one long-term obligation for compensated absences. See Note 7 for details.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

To develop the 2020-2025 Strategic Plan, a series of planning sessions are 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). The Commission reviews the agency's budget and LRFP annually. The Commission's commitment to continued collaboration with community partners and to leverage 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.

For the development of its new 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. 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.

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

- Help Me Grow Fresno County – \$500k
- Direct Service Programs – \$2 million
- Community Learning Center – \$823k
- Patient-Centered Prenatal Care – \$450k
- African American Infant Mortality Prevention – \$960k
- Quality Rating Improvement System – \$1.1 million
- Innovation & Learning – \$200k

**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.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**ASSETS**

Cash and investments	\$ 21,082,414
Restricted cash	46,798
Due from the state - proposition 10 and 56	1,190,663
Other receivables	1,160,917
Capital assets not being depreciated:	
Land	676,530
Capital assets, net of accumulated depreciation	
Buildings	13,919,592
Equipment	<u>14,246</u>
Total assets	<u>38,091,160</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	2,003,246
Accrued payroll and related taxes	37,961
Accrued interest payable	13,841
Noncurrent liabilities:	
Due in one year:	
Compensated absences	21,194
Notes payable	290,719
Due in more than one year:	
Compensated absences	22,473
Notes payable	<u>4,467,222</u>
Total liabilities	<u>6,856,656</u>

**NET POSITION**

Net investment in capital assets	9,852,427
Restricted	46,799
Unrestricted	<u>21,335,278</u>
Total net position	<u><u>\$ 31,234,504</u></u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Child development services	\$ 9,788,594	\$ 148,000	\$ 11,569,684	\$ 1,929,090
Total	<u>\$ 9,788,594</u>	<u>\$ 148,000</u>	<u>\$ 11,569,684</u>	<u>1,929,090</u>
General revenues:				
Interest and investment earnings				707,737
Miscellaneous income				<u>272,438</u>
Total general revenues				<u>980,175</u>
Change in net position				2,909,265
Net position - beginning of year				<u>28,325,239</u>
Net position - end of year				<u>\$ 31,234,504</u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
BALANCE SHEET – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Lighthouse Special Revenue Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 20,993,508	\$ 88,906	\$ 21,082,414
Restricted cash	-	46,798	46,798
Due from the state - proposition 10 and 56	1,190,663	-	1,190,663
Other receivables	1,160,917	-	1,160,917
Advances to other fund	<u>10,956,059</u>	<u>-</u>	<u>10,956,059</u>
 Total assets	 <u>\$ 34,301,147</u>	 <u>\$ 135,704</u>	 <u>\$ 34,436,851</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,002,766	480	2,003,246
Accrued payroll and related taxes	37,961	-	37,961
Advances from other fund	<u>-</u>	<u>10,956,059</u>	<u>10,956,059</u>
 Total liabilities	 <u>2,040,727</u>	 <u>10,956,539</u>	 <u>12,997,266</u>
<b>FUND BALANCE</b>			
Nonspendable	10,956,059	-	10,956,059
Restricted	162,609	46,799	209,408
Committed	8,488,025	-	8,488,025
Assigned	12,653,727	-	12,653,727
Unassigned	<u>-</u>	<u>(10,867,634)</u>	<u>(10,867,634)</u>
 Total fund balance	 <u>32,260,420</u>	 <u>(10,820,835)</u>	 <u>21,439,585</u>
 Total liabilities and fund balance	 <u>\$ 34,301,147</u>	 <u>\$ 135,704</u>	 <u>\$ 34,436,851</u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

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

Total fund balance - governmental funds	\$ 21,439,585
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the funds.	14,610,368
Long-term liability is not due and payable in the current period and, therefore, is not included in the funds.	(4,771,782)
Compensated absences liability is not due in the current period and, therefore, are not included in the funds.	<u>(43,667)</u>
Total net position - governmental activities	<u>\$ 31,234,504</u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Lighthouse Special Revenue Fund	Total
<b>REVENUES</b>			
Proposition 10 taxes	\$ 7,471,906	\$ -	\$ 7,471,906
Proposition 56 taxes	2,282,932	-	2,282,932
Grant revenue	1,814,846	-	1,814,846
Interest and investment earnings	707,362	375	707,737
Other revenue	272,398	148,040	420,438
	<u>12,549,444</u>	<u>148,415</u>	<u>12,697,859</u>
Total revenues			
<b>EXPENDITURES</b>			
Program services	8,267,076	199,763	8,466,839
Evaluation services	513,634	-	513,634
Administrative costs	381,429	20,668	402,097
	<u>9,162,139</u>	<u>220,431</u>	<u>9,382,570</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>3,387,305</u>	<u>(72,016)</u>	<u>3,315,289</u>
Net change in fund balance	3,387,305	(72,016)	3,315,289
Fund balance - beginning of year	<u>28,873,115</u>	<u>(10,748,819)</u>	<u>18,124,296</u>
Fund balance - end of year	<u>\$ 32,260,420</u>	<u>\$ (10,820,835)</u>	<u>\$ 21,439,585</u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
RECONCILIATION OF THE CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities:

Net change in fund balance - government fund	\$ 3,315,289
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	 (407,746)
 Long-term liabilities are not due during the current year end, therefore, the change is not recorded in the governmental fund.	 <u>1,722</u>
 Change in net position - governmental activities	 <u><u>\$ 2,909,265</u></u>

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The State of California implemented the “California Children and Families Act of 1998” which provides for the Commission to 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.

**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. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39 and No. 61, and thus is included in the financial statements of the Commission. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method because it provides services exclusively or almost exclusively to the Commission and a financial benefit relationship exists between the Commission and the component unit.

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

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

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation**

The basic financial statements of the Commission are prepared on the basis of Government Accounting Standards Board (GASB) statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*, and related standards. GASB Statement No. 34 established standards for external financial reporting for all state and local government entities which includes a Management's Discussions and Analysis section, a Statement of Net Position, a Statement of Activities, and if applicable, a Statement of Cash Flows.

**Measurement Focus, Basis of Accounting**

***Government-Wide Financial Statements***

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

***Fund Financial Statements***

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

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

The Commission reports the following major governmental funds:

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

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

The Commission adopts annual appropriated budgets for its General Fund, which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

***Budgetary Procedures***

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

***Revenues – Exchange and Non-Exchange Transactions***

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

***Expenses/Expenditures***

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

***Investments***

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

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

***Accounts Receivable***

The Commission utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2020, 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, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

***Long-Term Advance***

The Commission advanced funds to Lighthouse for Children, Inc. (acting like a loan receivable) for the purpose of creating an investment fund. As part of this arrangement, the Commission will receive payment from Lighthouse for Children, Inc. in accordance with the Note Payable agreements. The loan is recorded for the full amount and the entire outstanding balance plus any unpaid interest is due on the maturity date, December 13, 2038. See Note 7 for more information.

***Capital Assets***

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

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

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

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

***Deferred Outflows and Inflows of Resources***

Pursuant to GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the Commission recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Commission that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Commission that is applicable to a future reporting period.

***Accrued Liabilities and Long-Term Obligations***

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

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (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 at the time of employment status change, i.e., from a position that earns PTO to a position that does not earn vacation, or at the time of termination of employment. In the basic financial statements, these amounts are referred to as compensated absences.

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

***Fund Balance***

**Fund Balance Classification**

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

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

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

***Fund Balance*** (Continued)

***Fund Balance Classification*** (Continued)

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

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

***Net Position***

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

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

***Use of Estimates***

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

***Reclassifications***

Certain prior year amounts have been reclassified to conform to the current year presentation. The Lighthouse for Children, Inc. change from discrete to a blended component unit status is discussed in Note 1.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments consist of the following as of June 30, 2020:

Cash in banks	\$ 3,732,960
Investments	<u>17,396,252</u>
 Total cash and investments	 <u>\$ 21,129,212</u>

**Policies and Practices**

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

**Investment in County Treasury**

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

**General Authorization**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
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, 2020**

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

**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.

**Segmented Time Distribution**

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

Investment Type	Amount	Remaining Maturity (in months)		
		12 months or less	13 to 24 months	25 to 60 months
U.S. Treasuries	\$ 4,971,726	\$ -	\$ 1,506,783	\$ 3,464,943
Federal Agencies (non-callable)	1,749,342	-	356,756	1,392,586
Federal Agency Mortgage Backed Securities	438,719	-	41,593	397,126
Supranationals	114,665	-	51,329	63,336
Municipal Obligations	225,157	116,924	-	108,233
Negotiable Certificates of Deposit	699,649	311,988	102,344	285,317
Corporate Notes	2,851,460	182,667	1,009,246	1,659,547
Asset-Backed Securities	517,518	-	5,623	511,895
Money Market Mutual Funds	98,643	98,643	-	-
County Pooled Investments Funds	5,729,373	5,729,373	-	-
<b>Total</b>	<b>\$ 17,396,252</b>	<b>\$ 6,439,595</b>	<b>\$ 3,073,674</b>	<b>\$ 7,882,983</b>

**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, 2020.

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	\$ 4,971,726	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,971,726
Federal Agencies (non-callable)	1,749,342	N/A	-	1,749,342	-	-	-	-	-	-	-	-	-
Federal Agency Mortgage Backed Securities	438,719	N/A	-	438,719	-	-	-	-	-	-	-	-	-
Supranationals	114,665	AAA	114,665	-	-	-	-	-	-	-	-	-	-
Municipal Obligations	225,157	N/A	108,233	-	-	116,924	-	-	-	-	-	-	-
Negotiable Certificates of Deposit	699,649	A-	-	-	-	386,992	103,521	102,344	-	106,792	-	-	-
Corporate Notes	2,851,460	A-	-	76,582	77,125	162,297	651,811	520,174	856,803	-	506,668	-	-
Asset-Backed Securities	517,518	AA	517,518	-	-	-	-	-	-	-	-	-	-
Money Market Mutual Funds	98,643	AAA	-	-	-	-	-	-	-	-	-	-	98,643
County Pooled Investments Funds	5,729,373	N/A	-	-	-	-	-	-	-	-	-	-	5,729,373
<b>Total</b>	<b>\$ 17,396,252</b>		<b>\$ 740,416</b>	<b>\$ 2,264,643</b>	<b>\$ 77,125</b>	<b>\$ 666,213</b>	<b>\$ 755,332</b>	<b>\$ 622,518</b>	<b>\$ 856,803</b>	<b>\$ 106,792</b>	<b>\$ 506,668</b>	<b>\$ 10,799,742</b>	

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

**Concentration of Credit Risk**

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>% of Total Investments</u>
Fresno County Investment Pool	Investment Pool	\$ 5,729,373	32.9%
U.S. Treasury	Treasury Securities	\$ 4,971,726	28.6%

**Custodial Credit Risk**

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

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

Bank balances were \$3,598,491, the total amount of which was insured and/or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the name of the Commission.

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

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – 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, 2020 in valuing the Commission's assets carried at fair value:

<u>Investments by fair value level</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasuries	\$ 4,971,726	\$ -	\$ 4,971,726	\$ -
Federal Agencies (non-callable)	1,749,342	-	1,749,342	-
Federal Agency Mortgage Backed Securities	438,719	-	438,719	-
Supranationals	114,665	-	114,665	-
Municipal Obligations	225,157	-	225,157	-
Negotiable Certificates of Deposit	699,649	-	699,649	-
Corporate Notes	2,851,460	-	2,851,460	-
Asset-Backed Securities	517,518	-	517,518	-
Total investments measured by fair value	<u>11,568,236</u>	<u>\$ -</u>	<u>\$ 11,568,236</u>	<u>\$ -</u>
Investments not subject to fair value hierarchy				
Money Market Mutual Funds	98,643			
County Pooled Investments Funds	<u>5,729,373</u>			
Total investments	<u>\$ 17,396,252</u>			

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2020 consisted of intergovernmental grants, entitlements, state apportionments and local sources. All receivables consisted of the following:

State government:	
Proposition 10	\$ 1,190,663
Other sources	<u>1,160,917</u>
 Total	 <u>\$ 2,351,580</u>

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance 6/30/2019	Additions	Disposals	Balance 6/30/2020
Capital assets not being depreciated:				
Land	\$ 676,530	\$ -	\$ -	\$ 676,530
 Total capital assets not being depreciated	 <u>676,530</u>	 <u>-</u>	 <u>-</u>	 <u>676,530</u>
Capital assets being depreciated:				
Equipment	119,310	-	-	119,310
Buildings and Improvements	<u>15,558,553</u>	<u>-</u>	<u>-</u>	<u>15,558,553</u>
 Total capital assets being depreciated	 <u>15,677,863</u>	 <u>-</u>	 <u>-</u>	 <u>15,677,863</u>
Less accumulated depreciation:				
Equipment	100,609	4,455	-	105,064
Buildings and improvements	<u>1,808,760</u>	<u>403,291</u>	<u>-</u>	<u>2,212,051</u>
 Total accumulated depreciation	 <u>1,909,369</u>	 <u>407,746</u>	 <u>-</u>	 <u>2,317,115</u>
Total capital assets being depreciated, net	<u>13,768,494</u>	<u>(407,746)</u>	<u>-</u>	<u>13,360,748</u>
Total capital assets, net	<u>\$ 14,445,024</u>	<u>\$ (407,746)</u>	<u>\$ -</u>	<u>\$ 14,037,278</u>

Depreciation expense for the year ended June 30, 2020 was \$407,746.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 – ACCOUNTS PAYABLE**

Accounts payable consist of the following as of June 30, 2020:

Program grantees	\$ 1,981,419
Vendors	<u>21,827</u>
 Total	 <u>\$ 2,003,246</u>

**NOTE 7 – LONG-TERM OBLIGATIONS**

Long term obligations activity for the year ended June 30, 2020 were as follows:

	Balance 6/30/2019 (a)	Additions	Disposals	Balance 6/30/2020	Due within One Year
Governmental activities:					
Notes payable	\$ 4,757,941	\$ -	\$ -	\$ 4,757,941	290,719
Compensated absences	<u>45,389</u>	<u>61,417</u>	<u>(63,139)</u>	<u>43,667</u>	<u>21,194</u>
 Total	 <u>\$ 4,803,330</u>	 <u>\$ 61,417</u>	 <u>\$ (63,139)</u>	 <u>\$ 4,801,608</u>	 <u>\$ 311,913</u>

(a) - Note that this balance was previously shown as a gross note payable from Lighthouse for Children, Inc. to the Commission when it was shown as a discrete component unit, however in FY 2020, Lighthouse for Children, Inc. is now a blended component unit and as such, the 6/30/2019 balance has been updated to reflect this change.

**Compensated Absences – Governmental Activities**

Compensated absences, which combines vacation and sick leave benefits into a single PTO bank account, amounted to \$43,667 at June 30, 2020.

**Notes Payable**

The blended component unit, Lighthouse for Children Inc. was created by the Commission as a Qualified Active Low Income Community Business (QALICB) to take advantage of a New Market Tax Credit (NMTC) financing structure involving a leverage lender (Children and Families Commission of Fresno County) who provided funding into a newly created investment fund (the Fund). An investor, who benefits from the NMTCs, then provided the equity into the Fund. The Fund then loaned the full amount of the financial transaction to two community development entities, Qualified Low-Income Community Investment (QLICI) and Low Income Investment Fund (LIIF), who in turn loaned the funds to Lighthouse for Children, Inc. The following four notes payable from Lighthouse for Children, Inc. combine to represent the total \$15,714,000 loan:

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 – LONG-TERM OBLIGATIONS** (Continued)

<p>QLICI Loan A note from LIIF Sub-CDE XXIV, LLC, dated December 13, 2013, in the original amount of \$5,410,400. Quarterly interest only payments commencing on March 1, 2014 and continuing through December 1, 2020. Quarterly principal and interest payments of \$68,743 commencing on March 1, 2021 and continuing until the note matures on December 13, 2043. Interest is at a rate of 1.39% per annum. The note is secured by the deed of trust on the property. Payments of principal and interest is to be paid from rent due pursuant to a master lease agreement with the Commission.</p>	\$ 5,410,400
<p>QLICI Loan B note from LIIF Sub-CDE XXIV, LLC, dated December 13, 2013, in the original amount of \$2,349,600. Quarterly interest only payments commencing on March 1, 2014 and continuing through December 1, 2020. Quarterly principal and interest payments of \$29,853 commencing on March 1, 2021 and continuing until the note matures on December 13, 2043. Interest is at rate of 1.39% per annum. The note is secured by the deed of trust on the property. Payments of principal and interest is to be paid from rent due pursuant to a master lease agreement with the Commission.</p>	2,349,600
<p>QLICI Loan A note from Central Valley NMTC Sub IV, LLC, dated December 13, 2013, in the original amount of \$5,545,660. Quarterly interest only payments commencing on March 1, 2014 and continuing through December 1, 2020. Quarterly principal and interest payments of \$70,413 commencing on March 1, 2021 and continuing until the note matures on December 13, 2043. Interest is at rate of 1.3837% per annum. The note is secured by the deed of trust on the property. Payments of principal and interest is to be paid from rent due pursuant to a master lease agreement with the Commission.</p>	5,545,660
<p>QLICI Loan B note from Central Valley NMTC Sub IV, LLC, dated December 13, 2013, in the original amount of \$2,408,340. Quarterly interest only payments commencing on March 1, 2014 and continuing through December 1, 2020. Quarterly principal and interest payments of \$30,579 commencing on March 1, 2021 and continuing until the note matures on December 13, 2043. Interest is at rate of 1.3837% per annum. The note is secured by the deed of trust on the property. Payments of principal and interest is to be paid from rent due pursuant to a master lease agreement with the Commission.</p>	<u>2,408,340</u>
Total notes payable	15,714,000
Less current portion due	<u>290,719</u>
Notes payable, long-term portion	<u><u>\$ 15,423,281</u></u>

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 – LONG-TERM OBLIGATIONS** (Continued)

As part of the funding arrangement noted previously, the Commission contributed \$10,956,059 as part of the notes payable structuring arrangement. As such, this is considered an Advance of funds from the General Fund to the Lighthouse Special Revenue Fund. As of June 30, 2020, the total balance of the Advance from the Commission was for \$10,956,059. See below for the reconciliation between the full values of all Notes Payable, reduced by the related “Advance To” reported in the General Fund:

Reconciliation to the Commission's Advances

Total notes payable	\$	15,714,000
Less Advance from the Commission to the Lighthouse:		10,956,059
Notes payable due to external parties	\$	4,757,941
Current portion due to external parties:	\$	290,719
Long-term portion due to external parties:		4,467,222
Total notes payable	\$	4,757,941

Minimum future principal and interest payments are summarized as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2021	\$ 290,718	\$ 217,420	\$ 508,138
2022	587,507	210,845	798,352
2023	595,697	202,655	798,352
2024	604,001	194,351	798,352
2025 and thereafter	13,636,077	1,953,046	15,589,123
Total	\$ 15,714,000	\$ 2,778,317	\$ 18,492,317

Interest expense relating to the above notes payable was \$199,763 for the year ended June 30, 2020.

**NOTE 8 – POSTEMPLOYMENT BENEFITS**

The Commission's 401(a) Plan (the Plan) is a defined contribution pension plan established by the Commissioners of the Commission and administered through ICMA-RC, a non-profit independent financial services corporation. The provisions and contribution requirements of the Plan are established and may be amended by the Commissioners of the Commission. The Plan covers all full-time employees and provides for immediate 100 % vesting for the participants. The Commission makes contributions of 8.74 % of compensation to the Plan. The Commission made contributions to the Plan of \$75,957 for the year ended June 30, 2020.

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

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 – FUND BALANCE**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balance as of June 30, 2020 is as follows:

Nonspendable:	
Lighthouse for Children facility advance	\$ 10,956,059
Restricted:	
Outside grant funding	162,609
Donor restrictions	46,799
Committed:	
Awarded and unpaid grants	8,488,025
Assigned:	
First 5 Initiatives	12,653,727
Unassigned	<u>(10,867,634)</u>
Total fund balance	<u>\$ 21,439,585</u>

**NOTE 10 – 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 11 – EVALUATION EXPENDITURES**

The Commission expended \$513,634 on program evaluation during the fiscal year ended June 30, 2020.

**NOTE 12 – ECONOMIC DEPENDENCY**

The Commission received the majority of its funding from one source, taxes imposed by Section 30131.2 of the California Tax and Revenue Code. This code imposes additional taxes on the sale of cigarettes and tobacco products. The total amount of funding from the additional taxes was \$9,754,838, or 77.86%, of the total revenue for the year ended June 30, 2020. 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, 2020**

**NOTE 13 – COMMITMENT AND CONTINGENCIES**

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

**Grantee Obligations**

As of June 30, 2020, the Commission's remaining obligations with grantees of \$8,488,025 is included in committed fund balance.

**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.

**New Market Tax Credits**

Lighthouse for Children Inc. was created by the Commission as a Qualified Active Low-Income Community Business (QALICB) to take advantage of a New Market Tax Credit (NMTC) financing structure in order to build a facility within a low-income community. Lighthouse for Children, Inc. was created as a 501(c)(3) non-profit public benefit corporation to act as the QALICB, as the Commission is not eligible to be the QALICB.

NMTC's are designed to infuse private sector capital into distressed communities by providing a tax credit for taxpayers who make qualified investments into designated Community Development Entities (CDEs). The NMTC transaction structure involves a leverage of lender (Children and Families Commission of Fresno County) to provided funding into a newly created investment fund (the Fund). An investor, then provides the equity into the Fund. The Fund then loans the full amount of the financial transaction to the CDE, who in turn loans the funds to the QALICB. The NMTC transaction is active for seven years. At the end of seven years, the investor will "put" the transaction and Commission will acquire 100% interest in the Fund. At the time, the QALICB will likely dissolve and the Commission will acquire title to the property.

There is some nominal risk of tax credit recapture if Lighthouse for Children, Inc. acting as the QALICB, fails to maintain its obligations in the transaction. If the IRS recaptures the credits, the Commission may be responsible for repayment of the entire equity amount. The likelihood of this occurring is minimal as it is the Commission's intent to take whatever steps are necessary to ensure compliance with all NMTC requirements.

**Master Lease Agreement – Related Party**

The Commission has entered into a master lease agreement with Lighthouse for Children, Inc. (Landlord), the Commission's blended component unit, in which the Commission will act as Master Tenant. Landlord obtained New Market Tax Credit (NMTC) financing to provide for the construction of the facility which is used as a child care center, a community learning center, office space for the Commission's operations, and any other activities that fulfill the specific charitable purposes of Lighthouse for Children, Inc. Master Tenant pays an annual base rent of \$148,000 to the landlord for the property payable in equal monthly installments as stated in the agreement. Landlord and Master Tenant intend to operate the property in a manner that complies with NMTC requirements.

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 14 – SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus, COVID-19, a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 outbreak in the United States a national emergency. Further, on March 19, 2020, the governor of the State of California issued a statewide Stay at Home Order to slow the spread of COVID-19. The Order required all individuals living in California to stay at home, except as needed to maintain continuity of the federal critical infrastructure sectors. The sector in which the Commission operates, is not designated on the list of essential critical infrastructure workers. Accordingly, some functions of the Commission's operations will be limited to protect the health and safety of its employees. The ultimate financial impact on the Commission that could occur as a result of the pandemic is unknown at this time.

**Lighthouse for Children, Inc. – New Market Tax Credit**

Both the Commission and the Lighthouse for Children, Inc. anticipate the completion of the seventh year of the New Market Tax Credit (NMTC) agreements in December 2020. The seventh year is notable as it marks the time period where, if all requirements are met and the entities are in good standing, the loan that created the Lighthouse for Children, Inc. facility, is forgiven. The Lighthouse for Children, Inc. Board and the Commission will facilitate discussions about the future of the non-profit once the NMTCs have officially termed.

Management has evaluated and concluded that there were no other subsequent events that have occurred from June 30, 2020 through the date the financial statements were available to be issued at October 16, 2020 that would require disclosure or adjustment.

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REQUIRED SUPPLEMENTARY INFORMATION

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – GENERAL FUND  
(BUDGET TO ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Proposition 10 taxes	\$ 8,000,000	\$ 8,000,000	\$ 7,471,906	\$ (528,094)
Proposition 56 taxes	-	-	2,282,932	2,282,932
Grant revenue	1,959,888	2,471,002	1,814,846	(656,156)
Interest and investment earnings	25,000	210,000	707,362	497,362
Other revenue	300,000	200,000	272,398	72,398
<b>Total revenues</b>	<u>10,284,888</u>	<u>10,881,002</u>	<u>12,549,444</u>	<u>1,668,442</u>
<b>EXPENDITURES</b>				
Salaries & employee benefits	1,301,383	1,295,992	1,082,812	213,180
Services and supplies	490,271	495,533	334,874	160,659
Evaluation program expenditures	500,000	500,000	460,347	39,653
Grant expenditures	7,993,234	14,558,406	7,284,106	7,274,300
<b>Total expenditures</b>	<u>10,284,888</u>	<u>16,849,931</u>	<u>9,162,139</u>	<u>7,687,792</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(5,968,929)</u>	<u>3,387,305</u>	<u>9,356,234</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (5,968,929)</u>	<u>3,387,305</u>	<u>\$ 9,356,234</u>
Fund balance - beginning of year			<u>28,873,115</u>	
Fund balance - end of year			<u>\$ 32,260,420</u>	

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – LIGHTHOUSE SPECIAL REVENUE FUND  
(BUDGET TO ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Annual rent income	\$ 148,000	\$ 148,000	\$ 148,000	\$ -
Other revenue	-	-	415	415
 Total revenues	 148,000	 148,000	 148,415	 415
<b>EXPENDITURES</b>				
Administrative contract	5,250	5,250	4,331	919
Insurance & tax expense	19,201	19,201	10,717	8,484
Professional services expense	8,200	8,200	5,619	2,581
New Market Tax Credit expense	115,349	115,349	199,764	(84,415)
 Total expenditures	 148,000	 148,000	 220,431	 (72,431)
Excess (deficiency) of revenues over (under) expenditures	-	-	(72,016)	(72,016)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(72,016)	<u>\$ (72,016)</u>
Fund balance - beginning of year			(10,748,819)	
Fund balance - end of year			<u>\$ (10,820,835)</u>	

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

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

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The Lighthouse Special Revenue Fund incurred expenditures in excess of appropriations for the following amounts for the year ended June 30, 2020:

New Market Tax Credit Expense	\$84,415
-------------------------------	----------

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

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

OTHER SUPPLEMENTARY INFORMATION

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
 SUPPLEMENTAL SCHEDULE OF FIRST 5 CALIFORNIA (F5CA) FUNDING  
 FOR THE YEAR ENDED JUNE 30, 2020**

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

<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 IMPACT Program	IMPACT Hub Program Funds	\$ 827,603	\$ 827,603	\$ -	\$ -	\$ -
	County, Local IMPACT Funds	663,536	663,536			
	Dual Language Pilot Projects Funds	47,041	47,041	-	-	-
<b>TOTAL F5CA FUNDS</b>		<b>\$ 1,538,180</b>	<b>\$ 1,538,180</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

OTHER INDEPENDENT AUDITOR'S REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Children and Families Commission of Fresno County (the Commission), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 16, 2020.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Summary Schedule of Audit Findings, as item 2020-001 that we consider to be a material weakness.

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## **Compliance and Other Matters**

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

## **The Commission's Response to Findings**

The Commission's response to the findings identified in our audit is described in the accompanying Response – Summary Schedule of Audit Findings. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Price Pange & Company*

Clovis, California  
October 16, 2020



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited the Children and Families Commission of Fresno County's (the Commission) compliance with the types of compliance requirements specified in the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2020.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the Commission, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2020.

*Price Pange & Company*

Clovis, California  
October 16, 2020

**CHILDREN AND FAMILIES COMMISSION OF FRESNO COUNTY  
SUMMARY SCHEDULE OF AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

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



**RESPONSE – SUMMARY SCHEDULE OF AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2020**

**Finding 2020-001**

Journal entries to properly remedy the omitted revenue receivable have been posted to the general ledger and the finding has been resolved. To prevent a similar occurrence in the future, the agency's internal year-end closing checklist has been revised to clearly track all major audit-related tasks including receivable reconciliation. Additionally, the vacant staff position has been filled to assist with accounting workload.

A handwritten signature in black ink that reads "Alix Hillis".

Alix Hillis  
Project Director

A handwritten signature in black ink that reads "Fabiola González".

Fabiola González  
Executive Director