



April 28, 2016

<p><b>SUBJECT</b></p> <p><b>FINANCIAL UPDATE</b></p>	<p><input type="checkbox"/> Action</p> <p><input checked="" type="checkbox"/> Information</p>
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### **SUMMARY OF THE ISSUE**

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This item is to present an update of the Commission's financial plan and other items of financial interest.

### **RECOMMENDATION**

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This is an information-only item. First 5 California (F5CA) staff is not requesting action at this time.

### **BACKGROUND OF KEY ISSUES**

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Staff provides a financial update of First 5 Commission funds at each quarterly meeting.

### **REVENUE UPDATE**

The F5CA Financial Plan FYs 2014–15 through 2019–20 (Attachment A) includes actual revenue received for FY 2014–15, revenue projections for FYs 2015–16 and 2016–17 based on the January 2016 Governor's Budget, and staff projections for FYs 2017–18 through 2019–20. The Department of Finance projected the California Children and Families Trust Fund (Fund) would receive cigarette and tobacco tax revenue of approximately \$451 million during FY 2015–16. The Board of Equalization (BOE) has recorded \$308.9 million of tax revenue in the Fund through February of this fiscal year, which is \$2.6 million less than last year at this time.

Based on FY 2015–16 revenue projections, staff estimates the portion of Proposition 10 revenue for State Commission operations to be \$83.3 million after BOE adjustments for administration costs and backfill. The total FY 2015–16 tax revenue transferred to

F5CA's state accounts from July 2015 through February 2016 was \$56.7 million, an average of just over \$7 million per month.

## **FINANCIAL PLAN**

F5CA tracks actual and projected revenues and expenditures by fiscal year for the following six Proposition 10 accounts for use by the State Commission: Mass Media Communications, Education, Child Care, Research and Development, Administration, and Unallocated. This information is captured in Attachment A, which includes actual and projected revenue and expenditures by account for the prior year, current fiscal year, and five budget years.

## **FISCAL MAPPING TO THE STRATEGIC PLAN**

F5CA's Strategic Plan, adopted by the Commission in January 2014, is the driving force behind program and operational expenditures incurred by F5CA. Generally, activities of the Commission, unless statutorily mandated, fall under at least one of the Strategic Priority Areas identified in the Strategic Plan. Attachment B maps expenditures identified in the Financial Plan to specific goals identified in the Strategic Plan.

## **FIRST 5 CALIFORNIA ANNUAL AUDIT**

F5CA contracts with the Office of State Audits and Evaluations (OSAE) within the Department of Finance to conduct an annual financial audit of the California Children and Families Trust Fund and related accounts as mandated by Health and Safety Code section 130150.

On March 11, 2016, OSAE issued the final report (Attachment C) related to the annual audit for the fiscal year ending June 30, 2015. The report stated the financial statements were fairly presented and there were no reportable instances of noncompliance or other matters.

In July 2015, F5CA absorbed all accounting functions from our former financial services contractor, the Department of General Services. At the same time staff began implementing the State's new Financial Information System for California (FI\$Cal) to replace legacy systems for accounting and budgeting. In light of both of these major initiatives, OSAE offered recommendations for developing and improving existing policies and procedures. Staff concurs with the recommendations and have taken steps to strengthen fiscal operating procedures.

## **ATTACHMENTS**

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- A. First 5 California Financial Plan FYs 2014–15 through 2019–20
- B. First 5 California Fiscal Mapping to the Strategic Plan
- C. Final Audit Report—California Children and Families Commission, 2015 Financial Statement Audit of the Children and Families Trust Fund and Related Accounts

First 5 California  
Financial Plan  
FYs 2014-15 through 2019-20

Account/Project	ACTUAL FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
<b>Mass Media Communications (0631)</b>						
Beginning Balance	\$20,498,024	\$23,802,259	\$21,826,288	\$19,026,725	\$15,471,263	\$18,670,677
Projected Expenditures and Obligations	27,165,851	27,964,197	27,614,042	27,611,542	20,102,000	20,102,000
Projected Revenue	25,808,368	25,016,820	24,249,000	23,499,000	22,785,000	22,035,000
Projected Interest	64,229	71,407	65,479	57,080	46,414	56,012
Federal Reimbursement for Kit	597,490	500,000	500,000	500,000	500,000	500,000
<b>Year-end Balance</b>	<b>\$23,802,259</b>	<b>\$21,826,288</b>	<b>\$19,026,725</b>	<b>\$15,471,263</b>	<b>\$18,670,677</b>	<b>\$21,159,689</b>
<b>Education (0634)</b>						
Beginning Balance	\$42,464,873	\$48,259,869	\$42,445,569	\$41,428,406	\$38,983,191	\$35,710,640
Projected Expenditures and Obligations	16,003,573	26,806,429	21,352,000	22,152,000	22,352,000	22,152,000
Projected Revenue	21,670,238	20,847,350	20,207,500	19,582,500	18,962,500	18,362,500
Projected Interest	128,331	144,780	127,337	124,285	116,950	107,132
<b>Year-end Balance</b>	<b>\$48,259,869</b>	<b>\$42,445,569</b>	<b>\$41,428,406</b>	<b>\$38,983,191</b>	<b>\$35,710,640</b>	<b>\$32,028,272</b>
<b>Child Care (0636)</b>						
Beginning Balance	\$29,802,815	\$31,866,604	\$27,909,870	\$29,116,100	\$25,950,950	\$22,404,304
Projected Expenditures and Obligations	10,927,845	16,560,744	11,002,000	15,002,000	15,002,000	15,002,000
Projected Revenue	12,904,184	12,508,410	12,124,500	11,749,500	11,377,500	11,017,500
Projected Interest	87,451	95,600	83,730	87,348	77,853	67,213
<b>Year-end Balance</b>	<b>\$31,866,604</b>	<b>\$27,909,870</b>	<b>\$29,116,100</b>	<b>\$25,950,950</b>	<b>\$22,404,304</b>	<b>\$18,487,017</b>
<b>Research and Development (0637)</b>						
Beginning Balance	\$25,901,464	\$33,505,869	\$37,074,057	\$33,070,427	\$29,064,786	\$24,655,098
Projected Expenditures and Obligations	5,376,867	9,040,739	16,239,000	15,864,000	15,864,000	15,864,000
Projected Revenue	12,904,184	12,508,410	12,124,500	11,749,500	11,377,500	11,017,500
Projected Interest	77,087	100,518	110,870	98,859	86,812	73,613
<b>Year-end Balance</b>	<b>\$33,505,869</b>	<b>\$37,074,057</b>	<b>\$33,070,427</b>	<b>\$29,064,786</b>	<b>\$24,655,098</b>	<b>\$19,882,212</b>
<b>Unallocated (0639)</b>						
Beginning Balance	\$14,362,059	\$13,722,095	\$14,986,965	\$15,845,651	\$18,312,727	\$20,609,888
Projected Expenditures and Obligations	9,288,362	7,115,236	7,269,275	5,413,461	5,342,777	5,263,630
Projected Revenue	8,602,789	8,338,940	8,083,000	7,833,000	7,585,000	7,345,000
Projected Interest	45,629	41,166	44,961	47,537	54,938	61,830
<b>Year-end Balance</b>	<b>\$13,722,095</b>	<b>\$14,986,965</b>	<b>\$15,845,651</b>	<b>\$18,312,727</b>	<b>\$20,609,888</b>	<b>\$22,753,088</b>
<b>Program Accounts 0631, 0634, 0636, 0637, and 0639 Totals:</b>						
Total Cigarette and Tobacco Tax Revenue	\$81,889,762	\$79,219,930	\$76,788,500	\$74,413,500	\$72,057,500	\$69,777,500
Total Resources Per Year	\$215,919,213	\$231,330,095	\$221,963,626	\$213,815,920	\$200,713,385	\$192,693,908
Total Expenditures Per Year	\$64,762,518	\$87,087,346	\$83,476,317	\$86,043,003	\$78,662,777	\$78,383,630
<b>Total Over/Under</b>	<b>\$151,156,695</b>	<b>\$144,242,749</b>	<b>\$138,487,309</b>	<b>\$127,772,917</b>	<b>\$122,050,608</b>	<b>\$114,310,278</b>
<b>Administration (0638)</b>						
Beginning Balance	\$21,330,919	\$19,533,635	\$17,086,051	\$14,476,931	\$11,552,325	\$8,306,139
Projected Expenditures and Obligations	6,390,989	6,675,843	6,702,065	6,884,724	7,073,531	7,268,727
Projected Revenue	4,542,393	4,169,470	4,041,500	3,916,500	3,792,500	3,672,500
Projected Interest	51,312	58,788	51,445	43,618	34,844	25,106
<b>Year-end Balance</b>	<b>\$19,533,636</b>	<b>\$17,086,051</b>	<b>\$14,476,931</b>	<b>\$11,552,325</b>	<b>\$8,306,139</b>	<b>\$4,735,017</b>
<b>ALL FIRST 5 CALIFORNIA FUNDS</b>						
Total Cigarette and Tobacco Tax Revenue	\$86,432,155	\$83,389,400	\$80,830,000	\$78,330,000	\$75,850,000	\$73,450,000
Total Resources Per Year	\$241,843,837	\$255,091,989	\$243,142,623	\$232,252,969	\$216,093,054	\$204,697,653
Total Expenditures Per Year	\$71,153,506	\$93,763,189	\$90,178,383	\$92,927,727	\$85,736,308	\$85,652,357
<b>Total Over/Under</b>	<b>\$170,690,331</b>	<b>\$161,328,800</b>	<b>\$152,964,240</b>	<b>\$139,325,242</b>	<b>\$130,356,746</b>	<b>\$119,045,296</b>
Total 15% Reserve	\$12,964,823	\$12,908,410	\$12,124,500	\$11,749,500	\$11,377,500	\$11,017,500
Net After Reserve	\$157,725,508	\$148,820,390	\$140,839,740	\$127,575,742	\$118,979,246	\$108,027,796

First 5 California  
Financial Plan  
FYs 2014-15 through 2019-20

	Account/Project	Strategic Plan Goal	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	
1	<b>Mass Media Communications (0631)</b>								
	Beginning Balance		\$20,498,024	\$23,802,259	\$21,826,288	\$19,026,725	\$15,471,263	\$18,670,677	
A	Parent Signature Program - Education and Outreach	3.1	10,549,800	0	0	0	0	0	
B	Parent Signature Program - Education and Outreach	3.1	0	22,459,542	22,509,542	22,509,542	15,000,000	15,000,000	
C	Parent Signature Program - 1-800 Number	3.1	84,795	100,000	100,000	100,000	100,000	100,000	
D	Parent Signature Program - Kit for New Parents	3.1	0	0	0	0	0	0	
E	Parent Signature Program - Kit for New Parents	3.1	5,116,109	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	
F	Child Signature Program	1.1, 1.2, 2.1, 2.2	7,809,448	0	0	0	0	0	
G	Miscellaneous	3.1	1,855	2,655	2,500	0	0	0	
H	SCOPORATA/ADJUSTMENTS		2,763	2,000	2,000	2,000	2,000	2,000	
	<b>Total Budgeted Expenditures</b>		23,564,771	27,564,197	27,614,042	27,611,542	20,102,000	20,102,000	
	Prior Year Adjustments		(388,920)	0	0	0	0	0	
	<b>Adjusted Fund Balance Expenditures</b>		23,165,851	27,564,197	27,614,042	27,611,542	20,102,000	20,102,000	
	<b>Subtotal</b>		\$2,667,827	(\$3,761,938)	(\$5,787,754)	(\$8,584,817)	(\$4,630,737)	(\$1,431,323)	
	Projected Revenue		25,808,368	25,016,820	24,249,000	23,499,000	22,755,000	22,035,000	
	Projected Interest		64,229	71,407	65,479	57,080	46,414	56,012	
	Federal Reimbursement for Kit		597,490	500,000	500,000	500,000	500,000	500,000	
	Other Revenue		0	0	0	0	0	0	
	<b>Year-end Balance</b>		\$23,802,259	\$21,826,288	\$19,026,725	\$15,471,263	\$18,670,677	\$21,159,689	
	15% Reserve		3,871,255	3,752,523	3,637,350	3,524,850	3,413,250	3,305,250	
	<b>Net Year-end Balance</b>		\$19,931,004	\$18,073,765	\$15,389,375	\$11,946,413	\$15,257,427	\$17,854,439	
2	<b>Education (0634)</b>								
	Beginning Balance		\$42,464,873	\$48,259,869	\$42,445,569	\$41,428,406	\$38,983,191	\$35,710,640	
A	Statewide Summit	2.1, 2.2, 3.1	221,155	0	200,000	0	200,000	0	
B	Co-Sponsorship Funding		44,220	150,000	150,000	150,000	150,000	150,000	
C	Educate	1.2, 2.1	0	2,700,000	3,000,000	0	0	0	
D	Teacher Signature Program - CARES Plus	1.2, 2.1, 2.2	128,949	1,354,429	0	0	0	0	
E	Child Signature Program	1.1, 1.2, 2.1, 2.2	15,577,670	0	0	0	0	0	
F	Child Signature Program 1 and 3 Extension	1.1, 1.2, 2.1, 2.2	0	10,600,000	0	0	0	0	
G	First 5 IMPACT	1.1, 1.2, 1.3	0	12,000,000	16,000,000	20,000,000	20,000,000	20,000,000	
H	Proposed Pilot Programs	2.1, 2.2	0	0	2,000,000	2,000,000	2,000,000	2,000,000	
I	GRIS Training and Technical Assistance	1.2, 1.3	3,138	0	0	0	0	0	
J	Miscellaneous	2.1, 2.2	1,199	0	0	0	0	0	
K	SCOPORATA/ADJUSTMENTS		2,763	2,000	2,000	2,000	2,000	2,000	
	<b>Total Budgeted Expenditures</b>		15,979,094	26,806,429	21,352,000	22,152,000	22,352,000	22,152,000	
	Prior Year Adjustments		24,479	0	0	0	0	0	
	<b>Adjusted Fund Balance Expenditures</b>		16,003,573	26,806,429	21,352,000	22,152,000	22,352,000	22,152,000	
	<b>Subtotal</b>		\$26,461,300	\$21,453,439	\$21,093,569	\$19,276,406	\$16,631,191	\$13,558,640	
	Projected Revenue		21,506,973	20,847,350	20,207,500	19,582,500	18,962,500	18,362,500	
	Miscellaneous revenue-Child Summit		163,265	144,780	127,337	124,285	116,950	107,132	
	Projected Interest		128,331	0	0	0	0	0	
	<b>Year-end Balance</b>		\$48,259,869	\$42,445,569	\$41,428,406	\$38,983,191	\$35,710,640	\$32,028,272	
	15% Reserve		3,226,046	3,031,125	3,127,103	2,937,375	2,844,375	2,754,375	
	<b>Net Year-end Balance</b>		\$45,033,823	\$39,318,466	\$38,397,281	\$36,045,816	\$32,866,265	\$29,273,897	
	Purple: Amount pending Commission approval.								
	Royal Blue: Amount projected based on sustained level of effort.								
	Green: Subtotal amounts.								

First 5 California  
Financial Plan  
FYs 2014-15 through 2019-20

	Account/Project	Strategic Plan Goal	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	
3	<b>Child Care (0636)</b>								
	Beginning Balance		\$29,802,815	\$31,866,604	\$27,909,870	\$29,116,100	\$25,950,950	\$22,404,304	
A	Child Signature Program	1.1, 1.2, 2.1, 2.2	3,904,724	0	0	0	0	0	
B	Child Signature Program 1 and 3 Extension	1.1, 1.2, 2.1, 2.2	0	1,500,000	0	0	0	0	
C	Teacher Signature Program - CARES Plus	1.2, 2.1, 2.2	6,991,696	10,058,744	0	0	0	0	
D	RTT-ELC Environmental Rating Scales Training	1.2	0	0	0	0	0	0	
E	First 5 IMPACT	1.1, 1.2, 1.3 2.1, 2.2	0	5,000,000	11,000,000	15,000,000	15,000,000	15,000,000	
F	SCO/PRORATA/ADJUSTMENTS		2,763	2,000	2,000	2,000	2,000	2,000	
	<b>Total Budgeted Expenditures</b>		10,899,184	16,560,744	11,002,000	15,002,000	15,002,000	15,002,000	
	Prior Year Adjustments		28,662	0	0	0	0	0	
	<b>Adjusted Fund Balance Expenditures</b>		10,927,845	16,560,744	11,002,000	15,002,000	15,002,000	15,002,000	
	Subtotal		\$18,874,969	\$15,305,860	\$16,907,870	\$14,114,100	\$10,948,950	\$7,402,304	
	Projected Revenue		12,904,184	12,508,410	12,124,500	11,749,500	11,377,500	11,017,500	
	Projected Interest		87,451	95,600	83,730	87,348	77,853	67,213	
	Year-end Balance		\$31,866,604	\$27,909,870	\$29,116,100	\$25,950,950	\$22,404,304	\$18,487,017	
	15% Reserve		1,935,628	1,876,262	1,818,675	1,762,425	1,706,625	1,652,625	
	Net Year-end Balance		\$29,930,976	\$26,033,608	\$27,297,425	\$24,188,525	\$20,697,679	\$16,834,392	
4	<b>Research and Development (0637)</b>								
	Beginning Balance		\$25,901,464	\$33,505,869	\$37,074,057	\$33,070,427	\$29,054,786	\$24,655,098	
A	Annual Report		11,754	12,000	12,000	12,000	12,000	12,000	
B	CARES Plus Program Data Collection and Storage	1.2, 2.1, 2.2	315,151	780,000	0	0	0	0	
C	California Health Interview Survey	1.1, 1.2	750,000	850,000	850,000	850,000	850,000	850,000	
D	Child Signature Program	1.1, 1.2, 2.1, 2.2	3,908,247	0	0	0	0	0	
E	Child Signature Program 1 and 3 Extension	1.1, 1.2, 2.1, 2.2	0	1,500,000	0	0	0	0	
F	Transitional Kindergarten Study	1.2	370,000	740,000	375,000	0	0	0	
G	Help Me Grow	1.1, 2.1	0	19,834	0	0	0	0	
H	Quality Improvement Study-CSU Northridge	2.2	12,885	136,905	0	0	0	0	
I	Proposed Pilots	1.2, 1.3	0	0	6,000,000	6,000,000	6,000,000	6,000,000	
J	First 5 IMPACT	1.1, 1.2, 1.3 2.1, 2.2	0	5,000,000	9,000,000	9,000,000	9,000,000	9,000,000	
K	SCO/PRORATA/ADJUSTMENTS		2,763	2,000	2,000	2,000	2,000	2,000	
	<b>Total Budgeted Expenditures</b>		5,370,800	9,040,739	16,239,000	15,864,000	15,864,000	15,864,000	
	Prior Year Adjustments		6,067	0	0	0	0	0	
	<b>Adjusted Fund Balance Expenditures</b>		5,376,867	9,040,739	16,239,000	15,864,000	15,864,000	15,864,000	
	Subtotal		\$20,524,598	\$24,465,129	\$20,835,057	\$17,206,427	\$13,190,786	\$8,791,098	
	Projected Revenue		12,904,184	12,508,410	12,124,500	11,749,500	11,377,500	11,017,500	
	Projected Interest		77,087	100,518	110,870	98,859	86,812	73,613	
	Year-end Balance		\$33,505,869	\$37,074,057	\$33,070,427	\$29,054,786	\$24,655,098	\$19,882,212	
	15% Reserve		1,935,628	1,876,262	1,818,675	1,762,425	1,706,625	1,652,625	
	Net Year-end Balance		\$31,570,241	\$35,197,795	\$31,251,752	\$27,292,361	\$22,948,473	\$18,229,587	
	Purple: Amount pending Commission approval.								
	Royal Blue: Amount projected based on sustained level of effort.								
	Green: Subtotal amounts								

First 5 California  
Financial Plan  
FYs 2014-15 through 2019-20

	Account/Project	Strategic Plan Goal	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<b>5</b>	<b>Unallocated (0639)</b>							
	Beginning Balance		\$14,362,059	\$13,722,095	\$14,986,965	\$15,845,651	\$18,312,727	\$20,609,888
A	Small Population County Funding Augmentation	2.2	4,017,979	4,393,327	4,599,534	3,761,461	3,690,777	3,611,630
B	California Smoker's Helpline	2.2, 3.1	1,304,984	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
C	Grant/Program Development Consultant	1.2	52,009	70,000	17,741	0	0	0
D	Child Signature Program	1.1, 1.2, 2.1, 2.2	3,904,724	0	0	0	0	0
E	Help Me Grow	1.1, 2.1	0	149,909	0	0	0	0
F	Trusted Messenger	3.1	0	1,000,000	1,000,000	0	0	0
G	Stakeholder Meeting Facilitation	1.2	0	100,000	250,000	250,000	250,000	250,000
H	SCO/PPORATA/ADJUSTMENTS		2,763	2,000	2,000	2,000	2,000	2,000
	<b>Total Budgeted Expenditures</b>		9,282,459	7,115,236	7,269,275	5,413,461	5,342,777	5,263,630
	Prior Year Adjustments		5,923	0	0	0	0	0
	<b>Adjusted Fund Balance Expenditures</b>		9,288,382	7,115,236	7,269,275	5,413,461	5,342,777	5,263,630
	<b>Subtotal</b>		<b>\$5,073,677</b>	<b>\$6,606,859</b>	<b>\$7,717,690</b>	<b>\$10,432,190</b>	<b>\$12,969,950</b>	<b>\$15,346,258</b>
	Projected Revenue		8,602,789	8,338,940	8,083,000	7,833,000	7,585,000	7,345,000
	Projected Interest		45,629	41,166	44,961	47,537	54,938	61,830
	<b>Year-end Balance</b>		<b>\$13,722,095</b>	<b>\$14,986,965</b>	<b>\$15,845,651</b>	<b>\$18,312,727</b>	<b>\$20,609,888</b>	<b>\$22,753,088</b>
	15% Reserve		1,290,418	1,250,841	1,212,450	1,174,950	1,137,750	1,101,750
	<b>Net Year-end Balance</b>		<b>\$12,431,677</b>	<b>\$13,736,124</b>	<b>\$14,633,201</b>	<b>\$17,137,777</b>	<b>\$19,472,138</b>	<b>\$21,651,338</b>
<b>Program Accounts 0631, 0634, 0636, 0637, 0639 Totals:</b>								
	Total Cigarette and Tobacco Tax Revenue		\$81,726,497	\$79,219,930	\$76,788,500	\$74,413,500	\$72,057,500	\$69,777,500
	Total Resources Per Year		\$215,755,948	\$231,330,095	\$221,963,626	\$213,815,920	\$200,713,385	\$192,693,908
	Total Expenditures Per Year		\$64,762,518	\$87,087,346	\$83,476,317	\$86,043,003	\$78,662,777	\$78,383,630
	<b>Total Over/Under</b>		<b>\$151,156,695</b>	<b>\$144,242,749</b>	<b>\$138,487,309</b>	<b>\$127,772,917</b>	<b>\$122,050,608</b>	<b>\$114,310,278</b>
	Total 15% Reserve		\$12,258,975	\$11,882,990	\$11,518,275	\$11,162,025	\$10,808,625	\$10,466,625
	Net After Reserve		\$138,897,721	\$132,359,760	\$126,969,034	\$116,610,892	\$111,241,983	\$103,843,653
<b>6</b>	<b>Administration (0638)</b>							
	Beginning Balance		\$21,330,919	\$19,533,635	\$17,086,051	\$14,476,931	\$11,552,325	\$8,306,138
A	Administrative Expense	4.1, 4.2	6,079,593	6,180,329	6,206,065	6,388,724	6,577,531	6,772,727
B	SCO/PPORATA/ADJUSTMENTS		251,534	495,514	496,000	496,000	496,000	496,000
	<b>Total Budgeted Expenditures</b>		<b>6,331,127</b>	<b>6,675,843</b>	<b>6,702,065</b>	<b>6,884,724</b>	<b>7,073,531</b>	<b>7,268,727</b>
	Prior Year Adjustments		59,861	0	0	0	0	0
	<b>Adjusted Fund Balance Expenditures</b>		<b>6,390,989</b>	<b>6,675,843</b>	<b>6,702,065</b>	<b>6,884,724</b>	<b>7,073,531</b>	<b>7,268,727</b>
	<b>Subtotal</b>		<b>\$14,939,931</b>	<b>\$12,857,792</b>	<b>\$10,383,985</b>	<b>\$7,592,207</b>	<b>\$4,478,794</b>	<b>\$1,037,411</b>
	Projected Revenue		4,301,395	4,169,470	4,041,500	3,916,500	3,792,500	3,672,500
	Miscellaneous Revenue-CDE Travel Reimbursement		240,998					
	Projected Interest		51,312	58,788	51,445	43,618	34,844	25,106
	<b>Year-end Balance</b>		<b>\$19,533,635</b>	<b>\$17,086,051</b>	<b>\$14,476,931</b>	<b>\$11,552,325</b>	<b>\$8,306,138</b>	<b>\$4,735,017</b>
	15% Reserve		645,209	625,421	606,225	587,475	568,875	550,875
	<b>Net Year-end Balance</b>		<b>\$18,888,426</b>	<b>\$16,460,630</b>	<b>\$13,870,706</b>	<b>\$10,964,850</b>	<b>\$7,737,263</b>	<b>\$4,184,142</b>
<b>ALL FIRST 5 CALIFORNIA FUNDS</b>								
	Total Cigarette and Tobacco Tax Revenue		\$86,027,892	\$83,389,400	\$80,830,000	\$78,330,000	\$75,850,000	\$73,450,000
	Total Resources Per Year		\$241,439,574	\$255,091,989	\$243,142,622	\$232,252,969	\$216,093,054	\$204,697,653
	Total Expenditures Per Year		\$71,153,506	\$93,763,189	\$90,178,383	\$92,927,727	\$85,736,308	\$85,652,357
	<b>Total Over/Under</b>		<b>\$170,286,068</b>	<b>\$161,328,800</b>	<b>\$152,964,240</b>	<b>\$139,325,242</b>	<b>\$130,356,746</b>	<b>\$119,045,295</b>
	Total 15% Reserve		\$12,904,184	\$12,508,410	\$12,124,500	\$11,749,500	\$11,377,500	\$11,017,500
	Net After Reserve		\$157,381,884	\$148,820,390	\$140,839,740	\$127,575,742	\$118,979,246	\$108,027,795

**First 5 California  
Financial Plan  
FYs 2014-15 through 2019-20**

EXISTING/APPROVED:	Authorized Amount	Term	Funding Source (F5CA Account)	Expenditures Incurred	Proposed Expenditures	Total Expenditures
<b>Child Signature Program</b>	\$135,000,000	July 1, 2012 - June 30, 2015	Mass Media Communications Education Child Care Research and Development Unallocated	19,850,619 39,660,012 9,925,309 9,934,254 9,925,309	0 0 0 0 0	19,850,619 39,660,012 9,925,309 9,934,254 9,925,309
<b>Total</b>	<b>\$89,295,503</b>			<b>\$89,295,503</b>	<b>\$0</b>	<b>\$89,295,503</b>
<b>Teacher Signature Program - CARES Plus</b>	\$42,000,000	July 1, 2013 - June 30, 2016	Education Child Care Research and Development	145,571 14,711,807 884,511	1,354,429 10,058,744 780,000	1,500,000 24,770,551 1,664,511
<b>Total</b>	<b>\$15,741,888</b>			<b>\$15,741,888</b>	<b>\$12,193,173</b>	<b>\$27,935,062</b>
<b>Child Signature Program 1 and 3 Extension</b>	\$13,600,000	July 1, 2015 - June 30, 2016	Education Child Care Research and Development	0 0 0	10,600,000 1,500,000 1,500,000	10,600,000 1,500,000 1,500,000
<b>Total</b>	<b>\$0</b>			<b>\$0</b>	<b>\$13,600,000</b>	<b>\$13,600,000</b>
<b>First 5 IMPACT</b>	\$190,000,000	July 1, 2015 - June 30, 2020	Education Child Care Research and Development	0 0 0	88,000,000 61,000,000 41,000,000	88,000,000 61,000,000 41,000,000
<b>Total</b>	<b>\$0</b>			<b>\$0</b>	<b>\$190,000,000</b>	<b>\$190,000,000</b>
<b>PROPOSED:</b>	<b>Proposed Amount</b>					
<b>Dual Language Learner Pilot</b>	\$16,000,000	July 1, 2016 - June 30, 2020	Education Research and Development	0 0	4,000,000 12,000,000	4,000,000 12,000,000
<b>Total</b>	<b>\$0</b>			<b>\$0</b>	<b>\$16,000,000</b>	<b>\$16,000,000</b>
<b>Family Engagement Pilots</b>	\$16,000,000	July 1, 2016 - June 30, 2020	Education Research and Development	0 0	4,000,000 12,000,000	4,000,000 12,000,000
<b>Total</b>	<b>\$0</b>			<b>\$0</b>	<b>\$16,000,000</b>	<b>\$16,000,000</b>

\* Only programs with multiple funding sources identified.

First 5 California  
Fiscal Mapping to the Strategic Plan

Strategic Plan Area 1: Children and Families	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Goal 1.1 Child Health: Children prenatal through age 5 and their families access the full spectrum of health and behavioral health services needed to enhance their well-being.							
<b>Child Signature Program (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)</b>							
Mass Media Communications	\$7,244,784	\$7,809,448	\$0	\$0	\$0	\$0	\$0
Education	\$14,489,569	\$15,577,670	\$0	\$0	\$0	\$0	\$0
Child Care	\$3,622,392	\$3,904,724	\$0	\$0	\$0	\$0	\$0
Research and Development	\$3,625,654	\$3,908,247	\$0	\$0	\$0	\$0	\$0
Unallocated	\$3,622,392	\$3,904,724	\$0	\$0	\$0	\$0	\$0
<b>Child Signature Program 1 and 3 Extension (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)</b>							
Education	\$0	\$0	\$10,600,000	\$0	\$0	\$0	\$0
Child Care	\$0	\$0	\$1,500,000	\$0	\$0	\$0	\$0
Research and Development	\$0	\$0	\$1,500,000	\$0	\$0	\$0	\$0
<b>First 5 IMPACT (Aggregate investment reflected in Goals 1.1, 1.2, 1.3, 2.1, and 2.2)</b>							
Education	\$0	\$0	\$12,000,000	\$16,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Child Care	\$0	\$0	\$5,000,000	\$11,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Research and Development	\$0	\$0	\$5,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
<b>California Health Interview Survey (Split between 1.1 and 1.2)</b>							
Research and Development	\$750,000	\$750,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000
<b>Help Me Grow (Aggregate investment reflected in Goals 1.1 and 2.1)</b>							
Research and Development	\$0	\$0	\$19,834	\$0	\$0	\$0	\$0
Unallocated	\$0	\$0	\$149,909	\$0	\$0	\$0	\$0
<b>Help Group 2014 Summit (Co-sponsorship)</b>							
Education	\$0	\$9,221	\$10,000	\$0	\$0	\$0	\$0
<b>Help Me Grow National Forum (Co-sponsorship)</b>							
(Aggregate investment reflected in Goals 1.1 and 2.1)	\$0	\$10,000	\$0	\$0	\$0	\$0	\$0
<b>8th Biennial Childhood Obesity Conference (Co-sponsorship)</b>							
(Aggregate investment reflected in Goals 1.1 and 2.2)	\$0	\$5,000	\$5,000	\$0	\$0	\$0	\$0
Education	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Parents Anonymous (Co-sponsorship)</b>							
(Aggregate investment reflected in Goals 1.1 and 1.3)	\$21,000	\$10,000	\$0	\$0	\$0	\$0	\$0
Education	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Goal 1.2 Early Learning: Children birth through age 5 benefit from high quality early education, early intervention, family engagement, and support that prepares all children to reach their optimal potential in school and life.							
<b>Child Signature Program (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)</b>							
Mass Media Communications	\$7,244,784	\$7,809,448	\$0	\$0	\$0	\$0	\$0
Education	\$14,489,569	\$15,577,670	\$0	\$0	\$0	\$0	\$0
Child Care	\$3,622,392	\$3,904,724	\$0	\$0	\$0	\$0	\$0
Research and Development	\$3,625,654	\$3,908,247	\$0	\$0	\$0	\$0	\$0
Unallocated	\$3,622,392	\$3,904,724	\$0	\$0	\$0	\$0	\$0
<b>Child Signature Program 1 and 3 Extension (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)</b>							
Education	\$0	\$0	\$10,600,000	\$0	\$0	\$0	\$0
Child Care	\$0	\$0	\$1,500,000	\$0	\$0	\$0	\$0
Research and Development	\$0	\$0	\$1,500,000	\$0	\$0	\$0	\$0
<b>CARES Plus (Aggregate investment reflected in Goals 1.2, 2.1, and 2.2)</b>							
Education	\$16,622	\$128,949	\$1,354,429	\$0	\$0	\$0	\$0
Child Care	\$7,737,335	\$6,786,407	\$10,058,744	\$0	\$0	\$0	\$0
Research and Development	\$569,360	\$315,151	\$780,000	\$0	\$0	\$0	\$0
<b>First 5 IMPACT (Aggregate investment reflected in Goals 1.1, 1.2, 1.3, 2.1, and 2.2)</b>							
Education	\$0	\$0	\$12,000,000	\$16,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Child Care	\$0	\$0	\$5,000,000	\$11,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Research and Development	\$0	\$0	\$5,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
<b>California Health Interview Survey (Split between 1.1 and 1.2)</b>							
Research and Development	\$750,000	\$750,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000

First 5 California  
Fiscal Mapping to the Strategic Plan

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<p><b>Goal 1.2 Early Learning:</b></p> <p>Children birth through age 5 benefit from high quality early education, early intervention, family engagement, and support that prepares all children to reach their optimal potential in school and life.</p>							
<p><b>Transitional Kindergarten Study</b> Research and Development \$1,485,000</p> <p><b>Educare (Aggregate investment reflected in Goals 1.2 and 2.1)</b> Education \$5,700,000</p> <p><b>Environmental Rating Scales Training</b> Child Care \$137,840</p> <p><b>Stakeholder Meeting Facilitation</b> Unallocated \$1,100,000</p> <p><b>Grant/Program Development Consultant</b> Unallocated \$202,423</p> <p><b>Dual Language Learner Pilot Program (Proposed)</b> Education \$4,000,000 Research and Development \$12,000,000</p> <p><b>Early Edge Transitional Kindergarten Conference (Co-sponsorship)</b> (Aggregate investment reflected in Goals 1.2 and 2.2) Education \$13,500</p>	\$0	\$370,000	\$740,000	\$375,000	\$0	\$0	\$0
	\$0	\$0	\$2,700,000	\$3,000,000	\$0	\$0	\$0
	\$0	\$137,840	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$100,000	\$250,000	\$250,000	\$250,000	\$250,000
	\$95,664	\$52,009	\$54,750	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
	\$0	\$0	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
	\$3,500	\$10,000	\$0	\$0	\$0	\$0	\$0
<p><b>Goal 1.3 Family and Community Support and Partnership:</b></p> <p>Families and communities are engaged, supported, and strengthened through culturally effective resources and opportunities that assist them in nurturing, caring, and providing for their children's success and well-being.</p>							
<p><b>First 5 IMPACT (Aggregate investment reflected in Goals 1.1, 1.2, 1.3, 2.1, 2.2, and 2.2)</b> Education \$88,000,000 Child Care \$61,000,000 Research and Development \$41,000,000</p> <p><b>Family Engagement Pilot Programs (Proposed)</b> Education \$4,000,000 Research and Development \$12,000,000</p> <p><b>Parents Anonymous (Co-sponsorship)</b> (Aggregate investment reflected in Goals 1.1 and 1.3) Education \$31,000</p>	\$0	\$0	\$12,000,000	\$16,000,000	\$20,000,000	\$20,000,000	\$20,000,000
	\$0	\$0	\$5,000,000	\$11,000,000	\$15,000,000	\$15,000,000	\$15,000,000
	\$0	\$0	\$5,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
	\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
	\$0	\$0	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
	\$21,000	\$10,000	\$0	\$0	\$0	\$0	\$0
<p><b>Strategic Plan Area 2: System and Network</b></p> <p><b>Goal 2.1 Leadership as a Convener and Partner:</b></p> <p>Work with First 5 county commissions, state agencies, and other stakeholders to convene, align, collaborate on, support, and strengthen statewide efforts and initiatives to facilitate the creation of a seamless system of integrated and comprehensive programs and services to improve the status and outcomes for children prenatal through age 5 and their families.</p>							
<p><b>Child Signature Program (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)</b> Mass Media Communications \$15,054,232 Education \$30,067,239 Child Care \$7,527,116 Research and Development \$7,553,901 Unallocated \$7,527,116</p> <p><b>Child Signature Program 1 and 3 Extension (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)</b> Education \$10,600,000 Child Care \$1,500,000 Research and Development \$1,500,000</p> <p><b>CARES Plus (Aggregate investment reflected in Goals 1.2, 2.1, and 2.2)</b> Education \$1,500,000 Child Care \$24,582,486 Research and Development \$1,664,511</p>	\$7,244,784	\$7,809,448	\$0	\$0	\$0	\$0	\$0
	\$14,489,569	\$15,577,670	\$0	\$0	\$0	\$0	\$0
	\$3,622,392	\$3,904,724	\$0	\$0	\$0	\$0	\$0
	\$3,625,654	\$3,908,247	\$0	\$0	\$0	\$0	\$0
	\$3,622,392	\$3,904,724	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$10,600,000	\$0	\$0	\$0	\$0
	\$0	\$0	\$1,500,000	\$0	\$0	\$0	\$0
	\$0	\$0	\$1,500,000	\$0	\$0	\$0	\$0
	\$16,622	\$128,949	\$1,354,429	\$0	\$0	\$0	\$0
	\$7,737,335	\$6,786,407	\$10,058,744	\$0	\$0	\$0	\$0
	\$569,360	\$315,151	\$780,000	\$0	\$0	\$0	\$0

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<p><b>Goal 2.1 Leadership as a Convener and Partner:</b></p> <p>Work with First 5 county commissions, state agencies, and other stakeholders to convene, align, collaborate on, support, and strengthen statewide efforts and initiatives to facilitate the creation of a seamless system of integrated and comprehensive programs and services to improve the status and outcomes for children prenatal through age 5 and their families.</p>							
<p><b>First 5 IMPACT (Aggregate investment reflected in Goals 1.1, 1.2, 1.3, 2.1, and 2.2)</b></p> <p>Education \$88,000,000 Child Care \$61,000,000 Research and Development \$41,000,000</p>	\$0 \$0 \$0	\$0 \$0 \$0	\$12,000,000 \$5,000,000 \$5,000,000	\$16,000,000 \$11,000,000 \$9,000,000	\$20,000,000 \$15,000,000 \$9,000,000	\$20,000,000 \$15,000,000 \$9,000,000	\$20,000,000 \$15,000,000 \$9,000,000
<p><b>Educare (Aggregate investment reflected in Goals 1.2 and 2.1)</b></p> <p>Education \$5,700,000</p>	\$0	\$0	\$2,700,000	\$3,000,000	\$0	\$0	\$0
<p><b>Statewide Summit (Aggregate investment reflected in Goals 2.1, 2.2, and 3.1)</b></p> <p>Education \$1,041,210</p>	\$0	\$411,210	\$0	\$250,000	\$250,000	\$250,000	\$250,000
<p><b>Help Me Grow (Aggregate investment reflected in Goals 1.1 and 2.1)</b></p> <p>Research and Development \$19,834 Unallocated \$149,909</p>	\$0 \$0	\$0 \$0	\$19,834 \$149,909	\$0 \$0	\$0 \$0	\$0 \$0	\$0 \$0
<p><b>QRIS Training and Technical Assistance (Aggregate investment reflected in Goals 2.1 and 2.2)</b></p> <p>Education \$15,769</p>	\$0	\$15,769	\$0	\$0	\$0	\$0	\$0
<p><b>Help Me Grow National Forum (Co-sponsorship)</b></p> <p>(Aggregate investment reflected in Goals 1.1 and 2.1)</p> <p>Education \$10,000</p>	\$0	\$10,000	\$0	\$0	\$0	\$0	\$0
<p><b>Goal 2.2 Resource Exchange and Stewardship:</b></p> <p>Strategically fund and co-fund, align resources, facilitate the exchange of information and best practices, and seek new opportunities to maximize positive impact for children prenatal through age 5 and their families.</p>							
<p><b>Child Signature Program (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)</b></p> <p>Mass Media Communications \$15,054,232 Education \$30,067,239 Child Care \$7,527,116 Research and Development \$7,533,901 Unallocated \$7,527,116</p>	\$7,244,784 \$14,489,569 \$3,622,392 \$3,625,654 \$3,622,392	\$7,809,448 \$15,577,670 \$3,904,724 \$3,908,247 \$3,904,724	\$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0
<p><b>Child Signature Program 1 and 3 Extension (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)</b></p> <p>Education \$10,600,000 Child Care \$1,500,000 Research and Development \$1,500,000</p>	\$0 \$0 \$0	\$0 \$0 \$0	\$10,600,000 \$1,500,000 \$1,500,000	\$0 \$0 \$0	\$0 \$0 \$0	\$0 \$0 \$0	\$0 \$0 \$0
<p><b>CARES Plus (Aggregate investment reflected in Goals 1.2, 2.1, and 2.2)</b></p> <p>Education \$1,500,000 Child Care \$24,582,486 Research and Development \$1,664,511</p>	\$16,622 \$7,737,335 \$569,360	\$128,949 \$6,786,407 \$315,151	\$1,354,429 \$10,058,744 \$780,000	\$0 \$0 \$0	\$0 \$0 \$0	\$0 \$0 \$0	\$0 \$0 \$0
<p><b>First 5 IMPACT (Aggregate investment reflected in Goals 1.1, 1.2, 1.3, 2.1, and 2.2)</b></p> <p>Education \$88,000,000 Child Care \$61,000,000 Research and Development \$41,000,000</p>	\$0 \$0 \$0	\$0 \$0 \$0	\$12,000,000 \$5,000,000 \$5,000,000	\$16,000,000 \$11,000,000 \$9,000,000	\$20,000,000 \$15,000,000 \$9,000,000	\$20,000,000 \$15,000,000 \$9,000,000	\$20,000,000 \$15,000,000 \$9,000,000
<p><b>Statewide Summit (Aggregate investment reflected in Goals 2.1, 2.2, and 3.1)</b></p> <p>Education \$1,041,210</p>	\$0	\$411,210	\$0	\$250,000	\$250,000	\$250,000	\$250,000
<p><b>QRIS Training and Technical Assistance (Aggregate investment reflected in Goals 2.1 and 2.2)</b></p> <p>Education \$15,769</p>	\$0	\$15,769	\$0	\$0	\$0	\$0	\$0
<p><b>Quality Improvement Study-CSU Northridge</b></p> <p>Research and Development \$62,675</p>	\$0	\$12,885	\$49,790	\$0	\$0	\$0	\$0
<p><b>Small Population County Funding Augmentation</b></p> <p>Unallocated \$26,969,396</p>	\$2,894,688	\$4,017,979	\$4,393,327	\$4,599,534	\$3,761,461	\$3,690,777	\$3,611,630
<p><b>California Smoker's Helpline (Aggregate investment reflected in Goals 2.2 and 3.1)</b></p> <p>Unallocated \$9,294,606</p>	\$989,622	\$1,304,984	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000
<p><b>Early Edge Transitional Kindergarten Conference (Co-sponsorship)</b></p> <p>(Aggregate investment reflected in Goals 1.2 and 2.2)</p> <p>Education \$13,500</p>	\$3,500	\$10,000	\$0	\$0	\$0	\$0	\$0

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<p>Goal 2.2 Resource Exchange and Stewardship:</p> <p>Strategically fund and co-fund, align resources, facilitate the exchange of information and best practices, and seek new opportunities to maximize positive impact for children prenatal through age 5 and their families.</p> <p><b>8th Biennial Childhood Obesity Conference (Co-sponsorship)</b> (Aggregate investment reflected in Goals 1.1 and 2.2) Education \$10,000</p>	\$0	\$5,000	\$5,000	\$0	\$0	\$0	\$0
<b>Strategic Plan Area 3: Public Will and Investment</b>							
<p>Goal 3.1 Communications:</p> <p>Build public will in investing in early childhood by communicating the potential for positive outcomes for children and families, and the importance of prevention and early intervention.</p> <p><b>Parent Signature Program - Education and Outreach</b> Mass Media Communications \$126,026,337</p> <p><b>Parent Signature Program - Kit for New Parents</b> Mass Media Communications \$31,731,518</p> <p><b>Parent Signature Program - 1-800 Number (Kit Call Center)</b> Mass Media Communications \$684,795</p> <p><b>Parent Signature Program - Media Storage (included in Miscellaneous item)</b> Mass Media Communications \$7,020</p> <p><b>California Smoker's Helpline (Aggregate investment reflected in Goals 2.2 and 3.1)</b> Unallocated \$9,294,606</p> <p><b>Statewide Summit (Aggregate investment reflected in Goals 2.1, 2.2, and 3.1)</b> Education \$1,041,210</p> <p><b>Advancement Project 2015 Water Cooler Conference (Co-sponsorship)</b> (Aggregate investment reflected in Goals 3.1 and 3.2) Education \$20,000</p>	\$17,997,911	\$10,549,800	\$22,459,542	\$22,509,542	\$22,509,542	\$15,000,000	\$15,000,000
	\$1,615,409	\$5,116,109	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
	\$100,000	\$84,795	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
	\$0	\$1,855	\$2,665	\$2,500	\$0	\$0	\$0
	\$989,622	\$1,304,984	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000
	\$0	\$41,210	\$0	\$250,000	\$250,000	\$250,000	\$250,000
	\$0	\$10,000	\$10,000	\$0	\$0	\$0	\$0
<p>Goal 3.2 Legislative Engagement and Leadership:</p> <p>Advocate for and influence policy change, both directly and in partnership with First 5 county commissions and other allies, from the local to federal levels that increase investments to improve conditions for children prenatal through age 5 and their families.</p> <p><b>Advancement Project 2015 Water Cooler Conference (Co-sponsorship)</b> (Aggregate investment reflected in Goals 3.1 and 3.2) Education \$20,000</p>	\$0	\$10,000	\$10,000	\$0	\$0	\$0	\$0
<b>Strategic Plan Area 4: Institutional Development</b>							
<p>Goal 4.1 Internal Structure and Systems:</p> <p>Create and implement an integrated and transparent approach to internal planning, communication, and decision making.</p>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<p>Goal 4.2 Team Development and Engagement:</p> <p>Deepen management and staff awareness, understanding, knowledge, capacity, and involvement within and across organizational areas.</p> <p><b>Professional Development and Training</b> Administration \$95,807</p>	\$13,077	\$5,230	\$15,500	\$15,500	\$15,500	\$15,500	\$15,500

Note: Specified program investments are aggregate, therefore total investments are not additive.



Transmitted via e-mail

March 11, 2016

Mr. George C. Halvorson, Chair  
California Children and Families Commission  
2389 Gateway Oaks Drive, Suite 260  
Sacramento, CA 95833

Dear Mr. Halvorson:

**Final Report—California Children and Families Commission, 2015 Financial Statement Audit of the Children and Families Trust Fund and Related Accounts**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the California Children and Families Trust Fund and related accounts for the fiscal year ended June 30, 2015.

The enclosed report is for your information and use. The financial statements were fairly presented in accordance with generally accepted accounting principles. This report will be placed on our website.

We appreciate the assistance and cooperation of the California Children and Families Commission, Department of General Services, and State Board of Equalization. If you have any questions regarding this report, please contact Jon Chapple, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

Cheryl L. McCormick, CPA  
Assistant Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Camille Maben, Executive Director, California Children and Families Commission  
Mr. Michael Fuller, Interim Director, Fiscal Services Office, California Children and Families Commission  
Ms. Cynthia Bridges, Executive Director, State Board of Equalization  
Mr. David Gau, Chief Deputy Director, State Board of Equalization  
Ms. Edna B. Murphy, Deputy Director, Administration Department, State Board of Equalization  
Ms. Lynn Bartolo, Chief, Special Taxes and Fees Division, State Board of Equalization  
Ms. Liz Peralta, Chief Accounting Officer, Accounting Section, State Board of Equalization  
Mr. Brock Wimberley, Chief, Internal Audit Division, State Board of Equalization  
Ms. Sandy Wong-Guan, Accounting Administrator II, Contracted Fiscal Services, Department of General Services  
State Controller's Office, Division of Audits, First 5 Oversight Unit

# A FINANCIAL STATEMENT AUDIT

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## California Children and Families Trust Fund and Related Accounts For the Fiscal Year Ended June 30, 2015

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

## **MEMBERS OF THE TEAM**

Jon G. Chapple, CPA  
Manager

Rebecca McAllister, CPA  
Supervisor

### Staff

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This report is also available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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# EXECUTIVE SUMMARY

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The Department of Finance, Office of State Audits and Evaluations, performed this audit in accordance with an interagency agreement with the California Children and Families Commission (First 5 California). The objectives of our audit were to:

- Express an opinion on the *Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance* of the California Children and Families Trust Fund (Trust Fund) and related accounts for the fiscal year ended June 30, 2015.
- Verify that the financial statements were prepared in conformity with generally accepted accounting principles for governmental funds.
- Report on internal control and compliance weaknesses, and provide recommendations for improving controls over operations of the Trust Fund and related accounts.

## **Audit Results**

- The aforementioned financial statements are fairly presented for the fiscal year ended June 30, 2015.
- The audit did not identify any reportable instances of noncompliance or other matters.

We noted a matter that we reported to First 5 California management in a separate letter dated March 11, 2016.

This report is intended solely for the information and use of the Trust Fund's management, those charged with governance, and the Legislature, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



# INDEPENDENT AUDITOR'S REPORT

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Mr. George C. Halvorson, Chair  
California Children and Families Commission  
2389 Gateway Oaks Drive, Suite 260  
Sacramento, CA 95833

We have audited the accompanying financial statements of the governmental activities of the California Children and Families Trust Fund (Trust Fund) and related accounts for the year ended June 30, 2015, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

The Department of Finance (Finance) and the audited entity are both part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. Under *Government Auditing Standards*, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Trust Fund and related accounts as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Trust Fund and related accounts are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of the State of California that is attributable to the transactions of the Trust Fund and related accounts. They do not purport to, and do not, present fairly the financial position of the State of California as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 21 be presented to supplement the basic financial statements. Accounting principles also require budgetary comparison information; however, since the Trust Fund is continuously appropriated, the comparison was omitted. 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, and historical context. We have applied certain limited procedures to the required supplemental 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2016, on our consideration of California Children and Families Commission's (First 5 California) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 First 5 California's internal control over financial reporting and compliance.

This report is intended solely for the information and use of Trust Fund management, those charged with governance, and the Legislature, and is not intended to be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cheryl L. McCormick, CPA  
Assistant Chief, Office of State Audits and Evaluations

March 4, 2016



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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To demonstrate Californians' belief that children are a top priority, voters passed Proposition 10 in 1998, adding a 50-cent tax to each pack of cigarettes sold to create the California Children and Families Commission, also known as First 5 California. First 5 California is dedicated to improving the lives of California's young children and their families through a comprehensive system of education, health services, childcare, and other crucial programs. Since its creation 17 years ago, First 5 California has brought these critical services to millions of parents, caregivers and children ages 0 to 5, and strives to reach thousands more every day.

First 5 California distributes funds to local communities through California's 58 individual counties, all of which have created their own local First 5 County Commissions. Eighty percent of the annual revenue is allocated to the 58 county commissions based upon the number of births in each county, while the remaining 20 percent funds are allocated to First 5 California for the state's overall programs and administrative costs.

### **Our Mission**

First 5 California's mission is to convene, partner in, support, and help lead the movement to create and implement a comprehensive, integrated, and coordinated system for California's children prenatal through five and their families. The agency also promotes, supports, and optimizes early childhood development.

### **Our Vision**

The vision of First 5 California is for California's children to receive the best possible start in life and thrive.

### **Overview of the Financial Statements**

First 5 California presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. Financial statements have been prepared for eight special revenue funds administered by First 5 California to account for the cigarette and tobacco tax revenue received as a result of the passage of Proposition 10.

This discussion and analysis of First 5 California's financial performance provides an overview of its financial activities for the fiscal year ending June 30, 2015. It should be read in conjunction with First 5 California's financial statements.

## **Financial Highlights**

- For the fiscal year ending June 30, 2015, First 5 California recorded disbursements totaling \$42,335,321 (actual and accrued) for its CARES Plus and Child Signature Program (CSP).
- Total fund balance (all First 5 California funds) was \$172,272,578 as of June 30, 2015, which is an increase of \$17,727,410 from the previous year.
- Revenue recorded in all funds for the fiscal year ending June 30, 2015, was \$462,787,094 which is \$864,226, or .2 percent, more than the previous year due to a leveling out of cigarette and tobacco tax revenue.
- Expenditures recorded in all funds for the fiscal year ending June 30, 2015, were \$430,359,684, which is \$2,575,926 less than the expenditures reported during the previous fiscal year.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. First 5 California uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, including the California Children and Families Act of 1998 (Health and Safety Code sections 130100 through 130158). Comparisons of current year and prior year financial activities for each of the eight funds administered by First 5 California are displayed on subsequent pages.

## **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in fund financial statements. The notes to the financial statements can be found on the pages listed in the Table of Contents of this report.

**Fund 0623 – California Children and Families Trust Fund  
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Assets</b>				
Cash	\$ 2,267,713	\$ 37,926,451	\$ (35,658,738)	(94.0%)
Investments	67,798,000	1,401,000	66,397,000	4,739.3%
Receivables	36,958,865	34,501,480	2,457,385	7.1%
Due From Other Funds	1,485,374	1,223,351	262,023	21.4%
<b>Total Assets</b>	<b>\$108,509,952</b>	<b>\$ 75,052,282</b>	<b>\$ 33,457,670</b>	<b>44.6%</b>
<b>Liabilities</b>				
Due To Other Funds	\$108,505,680	\$ 75,048,010	\$ 33,457,670	44.6%
<b>Total Liabilities</b>	<b>108,505,680</b>	<b>75,048,010</b>	<b>33,457,670</b>	<b>44.6%</b>
<b>Fund Balance</b>				
Restricted	4,272	4,272	-	0.0%
<b>Total Fund Balance</b>	<b>4,272</b>	<b>4,272</b>	<b>-</b>	<b>0.0%</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$108,509,952</b>	<b>\$ 75,052,282</b>	<b>\$ 33,457,670</b>	<b>44.6%</b>

**Explanation of Significant Variances**

Cash and Investments varied significantly between 2014-15 and 2013-14 due to the timing of the monthly transfer of funds by the State Board of Equalization. In 2014-15, resources were moved from Investments to Cash in order to transfer funds to applicable entities; however, the transfer did not take place by June 30, 2015. This resulted in Cash being significantly lower and Investments significantly higher than reported in the previous year.

The Due to Other Funds account increased over 2013-14 due to the accrual of cigarette and tobacco tax revenue (three months) by the State Board of Equalization. The funds were due to the Counties Children and Families Account and the accounts of First 5 California, but were transferred subsequent to June 30, 2015.

**Fund 0623 – California Children and Families Trust Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Revenue</b>				
Cigarette Tax Revenue	\$ 460,968,549	\$460,634,451	\$ 334,098	0.1%
Interest Revenue	84,862	73,574	11,288	15.3%
Other Revenue	-	200,000	(200,000)	(100.0%)
<b>Total Revenue</b>	461,053,411	460,908,025	145,386	0.0%
<b>Expenditures</b>	16,213,951	16,588,489	(374,538)	(2.3%)
<b>Excess (Deficiency of Revenue) Over (Under) Expenditures</b>	444,839,460	444,319,536	519,924	0.1%
<b>Other Financing Sources &amp; Uses</b>				
Operating Transfers Out	444,839,460	444,319,536	519,924	0.1%
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance, Beginning</b>	4,272	4,272	-	0.0%
<b>Fund Balance, Ending</b>	\$ 4,272	\$ 4,272	\$ -	0.0%

**Explanation of Significant Variances**

No significant variances exist between fiscal years.

**Fund 0585 – Counties Children and Families Account  
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Assets</b>				
Cash	\$ 775	\$ 918	\$ (143)	(15.6%)
Investments	76,000	31,365,000	(31,289,000)	(99.8%)
Due From Other Funds	<u>86,816,381</u>	<u>60,048,243</u>	<u>26,768,138</u>	<u>44.6%</u>
<b>Total Assets</b>	<b>\$ 86,893,156</b>	<b>\$ 91,414,161</b>	<b>\$ (4,521,005)</b>	<b>(4.9%)</b>
<b>Liabilities</b>				
Due To Other Governments	<u>\$ 86,893,156</u>	<u>\$ 91,414,161</u>	<u>\$ (4,521,005)</u>	<u>(4.9%)</u>
<b>Total Liabilities</b>	<b>86,893,156</b>	<b>91,414,161</b>	<b>(4,521,005)</b>	<b>(4.9%)</b>
<b>Fund Balance</b>				
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<u><b>\$ 86,893,156</b></u>	<u><b>\$ 91,414,161</b></u>	<u><b>\$ (4,521,005)</b></u>	<u><b>(4.9%)</b></u>

**Explanation of Significant Variances**

No significant variances in assets and fund balance exist between fiscal years. Differences in the balances for Investments and Due From Other Funds was due to the timing of accruals and transfers of cigarette and tobacco tax revenue by the State Board of Equalization as of June 30, 2015.

**Fund 0585 – Counties Children and Families Account**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Revenue</b>				
Interest Revenue	\$ 38,732	\$ 34,315	\$ 4,417	12.9%
<b>Total Revenue</b>	38,732	34,315	4,417	12.9%
<b>Expenditures</b>	344,150,300	344,449,944	(299,644)	(0.1%)
<b>Excess (Deficiency of Revenue) Over (Under) Expenditures</b>	(344,111,568)	(344,415,629)	304,061	(0.1%)
<b>Other Financing Sources &amp; Uses</b>				
Operating Transfers In	344,111,568	344,415,629	(304,061)	(0.1%)
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance, Beginning</b>	-	-	-	-
<b>Fund Balance, Ending</b>	\$ -	\$ -	\$ -	0.0%

**Explanation of Significant Variances**

No significant variances exist between fiscal years.

**Fund 0631 – Mass Media Communications Account  
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Assets</b>				
Cash	\$ 86,480	\$ 981	\$ 85,499	8715.5%
Investments	25,178,000	28,781,000	(3,603,000)	(12.5%)
Due From Other Funds	6,917,414	4,606,271	2,311,143	50.2%
<b>Total Assets</b>	<b>\$32,181,894</b>	<b>\$ 33,388,252</b>	<b>\$ (1,206,358)</b>	<b>(3.6%)</b>
<b>Liabilities</b>				
Accounts Payable	\$ 1,504,625	\$ 6,579,656	\$ (5,075,031)	(77.1%)
Due To Other Funds	6,506,925	6,222,248	284,677	4.6%
<b>Total Liabilities</b>	<b>8,011,550</b>	<b>12,801,904</b>	<b>(4,790,354)</b>	<b>(37.4%)</b>
<b>Fund Balance</b>				
Restricted	24,170,344	20,586,348	3,583,996	17.4%
<b>Total Fund Balance</b>	<b>24,170,344</b>	<b>20,586,348</b>	<b>3,583,996</b>	<b>17.4%</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$32,181,894</b>	<b>\$ 33,388,252</b>	<b>\$ (1,206,358)</b>	<b>(3.6%)</b>

**Explanation of Significant Variances**

The change in Cash and Investments balances is reflective of the timing of automatic transfers initiated by the State Treasurer's Office to maximize investment interest in the State's bank accounts through the use of the Surplus Money Investment Fund.

Due From Other Funds was higher in 2015 than 2014 due to increased accruals and the timing of the transfers of cigarette and tobacco tax revenue from the State Board of Equalization as of June 30, 2015.

The Accounts Payable account was lower in 2015 than 2014 due to the timing of contract payments. Because several large contract invoices had been received and paid as of June 30, 2015, the effect is lowered amounts of payables at year-end. For the prior year, similar contract invoices were received, but not paid prior to the year-end.

The change in Fund Balance is primarily reflective of lower expenditures in 2015 resulting from the end of First 5's largest contract, for media advertising and outreach, in 2014. A new media contract was not executed until June 2015.

**Fund 0631 – Mass Media Communications Account**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Revenue</b>				
Interest Revenue	\$ 64,230	\$ 61,309	\$ 2,921	4.8%
Other Revenue	597,489	578,751	18,738	3.2%
<b>Total Revenue</b>	661,719	640,060	21,659	3.4%
<b>Expenditures</b>	22,886,090	26,960,954	(4,074,864)	(15.1%)
<b>Excess (Deficiency of Revenue) Over (Under) Expenditures</b>	(22,224,371)	(26,320,894)	4,096,523	(15.6%)
<b>Other Financing Sources &amp; Uses</b>				
Operating Transfers In	25,808,367	26,031,172	(222,805)	(0.9%)
PY Expenditure Refund	-	655,991	(655,991)	(100.0%)
<b>Net Change in Fund Balance</b>	3,583,996	366,269	3,217,727	878.5%
<b>Fund Balance, Beginning</b>	20,586,348	20,220,079	366,269	1.8%
<b>Fund Balance, Ending</b>	<u>\$ 24,170,344</u>	<u>\$ 20,586,348</u>	<u>\$ 3,583,996</u>	<u>17.4%</u>

**Explanation of Significant Variances**

As explained for the Balance Sheet in Fund 0631, the overall decrease in expenditures and increase in the ending Fund Balance, was primarily reflective of lowered expenditures resulting from the end of First 5's largest contract, for media advertising and outreach, in 2014. A new media contract was executed in June 2015.

The Prior Year (PY) Expenditure Refund displayed in 2014 represents this fund's portion of an abatement received during 2014 attributable to prior years' activity resulting from the closure of the School Readiness Program.

**Fund 0634 – Education Account  
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Assets</b>				
Cash	\$ 488	\$ 843	\$ (355)	(42.1%)
Investments	54,398,000	50,500,000	3,898,000	7.7%
Due From Other Funds	5,463,389	3,779,566	1,683,823	44.6%
<b>Total Assets</b>	<b>\$ 59,861,877</b>	<b>\$ 54,280,409</b>	<b>\$ 5,581,468</b>	<b>10.3%</b>
<b>Liabilities</b>				
Account Payable	14,999	-	14,999	-
Due To Other Funds	\$ 11,586,216	\$ 11,815,536	\$ (229,320)	(1.9%)
Due To Other Governments	794	-	794	-
<b>Total Liabilities</b>	<b>11,602,009</b>	<b>11,815,536</b>	<b>(213,527)</b>	<b>(1.8%)</b>
<b>Fund Balance</b>				
Restricted	48,259,868	42,464,873	5,794,995	13.6%
<b>Total Fund Balance</b>	<b>48,259,868</b>	<b>42,464,873</b>	<b>5,794,995</b>	<b>13.6%</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 59,861,877</b>	<b>\$ 54,280,409</b>	<b>\$ 5,581,468</b>	<b>10.3%</b>

**Explanation of Significant Variances**

Due From Other Funds was higher in 2015 than 2014 due to increased accruals and the timing of the transfers of cigarette and tobacco tax revenue from the State Board of Equalization as of June 30, 2015.

**Fund 0634 – Education Account**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Revenue</b>				
Interest Revenue	\$ 128,330	\$ 98,976	\$ 29,354	29.7%
Other Revenue	163,265	-	163,265	-
<b>Total Revenue</b>	291,595	98,976	192,619	194.6%
<b>Expenditures</b>	16,003,573	14,566,836	1,436,737	9.9%
<b>Excess (Deficiency of Revenue) Over (Under) Expenditures</b>	(15,711,978)	(14,467,860)	(1,244,118)	8.6%
<b>Other Financing Sources &amp; Uses</b>				
Operating Transfers In	21,506,973	21,525,977	(19,004)	(0.1%)
PY Expenditure Refund	-	1,457,756	(1,457,756)	(100.0%)
<b>Net Change in Fund Balance</b>	5,794,995	8,515,873	(2,720,878)	(32.0%)
<b>Fund Balance, Beginning</b>	42,464,873	33,949,000	8,515,873	25.1%
<b>Fund Balance, Ending</b>	\$48,259,868	\$ 42,464,873	\$ 5,794,995	13.6%

**Explanation of Significant Variances**

The Prior Year (PY) Expenditure Refund displayed in 2014 represents this fund's portion of an abatement received during 2014 attributable to prior years' activity resulting from the closure of the School Readiness Program.

**Fund 0636 – Child Care Account  
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Assets</b>				
Cash	\$ 240	\$ 90	\$ 150	166.7%
Investments	35,702,000	34,617,000	1,085,000	3.1%
Due From Other Funds	3,280,184	2,270,197	1,009,987	44.5%
<b>Total Assets</b>	<b>\$ 38,982,424</b>	<b>\$ 36,887,287</b>	<b>\$ 2,095,137</b>	<b>5.7%</b>
<b>Liabilities</b>				
Accounts Payable	\$ 156,672	\$ 58,863	\$ 97,809	166.2%
Due To Other Funds	2,886,284	2,949,723	(63,439)	(2.2%)
Due To Other Governments	3,712,208	4,093,111	(380,903)	(9.3%)
<b>Total Liabilities</b>	<b>6,755,164</b>	<b>7,101,697</b>	<b>(346,533)</b>	<b>(4.9%)</b>
<b>Fund Balance</b>				
Restricted	32,227,260	29,785,590	2,441,670	8.2%
<b>Total Fund Balance</b>	<b>32,227,260</b>	<b>29,785,590</b>	<b>2,441,670</b>	<b>8.2%</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 38,982,424</b>	<b>\$ 36,887,287</b>	<b>\$ 2,095,137</b>	<b>5.7%</b>

**Explanation of Significant Variances**

Due From Other Funds was higher in 2015 than 2014 due to increased accruals and the timing of the transfers of cigarette and tobacco tax revenue from the State Board of Equalization as of June 30, 2015.

**Fund 0636 – Child Care Account**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Revenue</b>				
Interest Revenue	\$ 87,450	\$ 75,135	\$ 12,315	16.4%
<b>Total Revenue</b>	87,450	75,135	12,315	16.4%
<b>Expenditures</b>	10,549,964	11,612,213	(1,062,249)	(9.1%)
<b>Excess (Deficiency of Revenue) Over (Under) Expenditures</b>	(10,462,514)	(11,537,078)	1,074,564	(9.3%)
<b>Other Financing Sources &amp; Uses</b>				
Operating Transfers In	12,904,184	12,915,586	(11,402)	(0.1%)
PY Expenditure Refund	-	619,546	(619,546)	(100.0%)
<b>Net Change in Fund Balance</b>	2,441,670	1,998,054	443,616	22.2%
<b>Fund Balance, Beginning</b>	29,785,590	27,787,536	1,998,054	7.2%
<b>Fund Balance, Ending</b>	\$ 32,227,260	\$ 29,785,590	\$ 2,441,670	8.2%

**Explanation of Significant Variances**

The Prior Year (PY) Expenditure Refund displayed in 2014 represents this fund's portion of an abatement received during 2014 attributable to prior years' activity resulting from the closure of the School Readiness Program.

**Fund 0637 – Research and Development Account  
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Assets</b>				
Cash	\$ (11,223)	\$ 850	\$ (12,073)	(1,420.4%)
Investments	33,720,000	27,003,000	6,717,000	24.9%
Due From Other Funds	3,278,500	2,265,649	1,012,851	44.7%
<b>Total Assets</b>	<b>\$ 36,987,277</b>	<b>\$ 29,269,499</b>	<b>\$ 7,717,778</b>	<b>26.4%</b>
<b>Liabilities</b>				
Accounts Payable	\$ 217,523	\$ 40,654	\$ 176,869	435.1%
Due To Other Funds	2,888,886	2,952,381	(63,495)	(2.2%)
Due To Other Governments	375,000	375,000	-	0.0%
<b>Total Liabilities</b>	<b>3,481,409</b>	<b>3,368,035</b>	<b>113,374</b>	<b>3.4%</b>
<b>Fund Balance</b>				
Restricted	33,505,868	25,901,464	7,604,404	29.4%
<b>Total Fund Balance</b>	<b>33,505,868</b>	<b>25,901,464</b>	<b>7,604,404</b>	<b>29.4%</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 36,987,277</b>	<b>\$ 29,269,499</b>	<b>\$ 7,717,778</b>	<b>26.4%</b>

**Explanation of Significant Variances**

The abnormal balance in Cash is the result of the timing of transfers to the Surplus Money Investment Fund by the State Treasurer's Office and remaining miscellaneous adjustments to the cash account made by the Department of General Services, Contracted Fiscal Services. The true cash position of the Research and Development Account is obtained by combining the Cash and Investments accounts for a total of \$33,708,777 as of June 30, 2015.

Due From Other Funds was higher in 2015 than 2014 due to increased accruals and the timing of the transfers of cigarette and tobacco tax revenue from the State Board of Equalization as of June 30, 2015.

**Fund 0637 – Research and Development Account**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Revenue</b>				
Interest Revenue	\$ 77,087	\$ 53,192	\$ 23,895	44.9%
<b>Total Revenue</b>	77,087	53,192	23,895	44.9%
<b>Expenditures</b>	5,376,867	5,350,325	26,542	0.5%
<b>Excess (Deficiency of Revenue) Over (Under) Expenditures</b>	(5,299,780)	(5,297,133)	(2,647)	0.0%
<b>Other Financing Sources &amp; Uses</b>				
Operating Transfers In	12,904,184	12,915,586	(11,402)	(0.1%)
PY Expenditure Refund	-	911,098	(911,098)	(100.0%)
<b>Net Change in Fund Balance</b>	7,604,404	8,529,551	(925,147)	(10.8%)
<b>Fund Balance, Beginning</b>	25,901,464	17,371,913	8,529,551	49.1%
<b>Fund Balance, Ending</b>	\$ 33,505,868	\$ 25,901,464	\$ 7,604,404	29.4%

**Explanation of Significant Variances**

The Prior Year (PY) Expenditure Refund displayed in 2014 represents this fund's portion of an abatement received during 2014 attributable to prior years' activity resulting from the closure of the School Readiness Program.

**Fund 0638 – Administration Account  
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Assets</b>				
Cash	\$ (37,168)	\$ 44,644	\$ (81,812)	(183.3%)
Investments	18,902,000	21,432,000	(2,530,000)	(11.8%)
Receivables	7,493	30,467	(22,974)	(75.4%)
Due From Other Funds	1,337,536	762,524	575,012	75.4%
Prepaid Expenses	68,263	60,767	7,496	12.3%
<b>Total Assets</b>	<b>\$ 20,278,124</b>	<b>\$ 22,330,402</b>	<b>\$ (2,052,278)</b>	<b>(9.2%)</b>
<b>Liabilities</b>				
Accounts Payable	\$ 28,099	\$ 50,102	\$ (22,003)	(43.9%)
Due To Other Funds	604,470	839,737	(235,267)	(28.0%)
Due to Other Governments	2,276	-	2,276	-
<b>Total Liabilities</b>	<b>634,845</b>	<b>889,839</b>	<b>(254,994)</b>	<b>(28.7%)</b>
<b>Fund Balance</b>				
Restricted	19,643,279	21,440,563	(1,797,284)	(8.4%)
<b>Total Fund Balance</b>	<b>19,643,279</b>	<b>21,440,563</b>	<b>(1,797,284)</b>	<b>(8.4%)</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 20,278,124</b>	<b>\$ 22,330,402</b>	<b>\$ (2,052,278)</b>	<b>(9.2%)</b>

**Explanation of Significant Variances**

The abnormal balance in Cash is the result of the timing of transfers to the Surplus Money Investment Fund by the State Treasurer's Office and remaining miscellaneous adjustments to the cash account made by the Department of General Services, Contracted Fiscal Services. The true cash position of the Administration Account is obtained by combining the Cash and Investments accounts for a total of \$18,864,832 as of June 30, 2015.

Due From Other Funds was higher in 2015 than 2014 due to increased accruals and the timing of the transfers of cigarette and tobacco tax revenue from the State Board of Equalization as of June 30, 2015.

**Fund 0638 – Administration Account**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Revenue</b>				
Interest Revenue	\$ 51,312	\$ 52,749	\$ (1,437)	(2.7%)
Other Revenue	479,962	-	479,962	-
<b>Total Revenue</b>	531,274	52,749	478,525	907.2%
<b>Expenditures</b>	6,629,953	5,756,762	873,191	15.2%
<b>Excess (Deficiency of Revenue) Over (Under) Expenditures</b>	(6,098,679)	(5,704,013)	(394,666)	6.9%
<b>Other Financing Sources &amp; Uses</b>				
Operating Transfers In	4,301,395	4,305,195	(3,800)	(0.1%)
<b>Net Change in Fund Balance</b>	(1,797,284)	(1,398,818)	(398,466)	28.5%
<b>Fund Balance, Beginning</b>	21,440,563	22,839,381	(1,398,818)	(6.1%)
<b>Fund Balance, Ending</b>	\$ 19,643,279	\$ 21,440,563	\$ (1,797,284)	(8.4%)

**Explanation of Significant Variances**

Other Revenue consists of a contract with the California Department of Education to reimburse the cost of four staff to work on the federal Race to the Top-Early Learning Challenge grant activities to enhance the quality of early learning systems for young children.

**Fund 0639 – Unallocated Account  
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Assets</b>				
Cash	\$ 20	\$ 40	\$ (20)	(50.0%)
Investments	15,990,000	13,329,000	2,661,000	20.0%
Receivables	3,188	1,171	2,017	172.2%
Due From Other Funds	28,651,212	28,800,817	(149,605)	(0.5%)
<b>Total Assets</b>	<b>\$ 44,644,420</b>	<b>\$ 42,131,028</b>	<b>\$ 2,513,392</b>	<b>6.0%</b>
<b>Liabilities</b>				
Accounts Payable	\$ 907,918	\$ 694,805	\$ 213,113	30.7%
Due To Other Funds	2,951,754	2,949,779	1,975	0.1%
Due To Other Governments	26,323,061	24,124,386	2,198,675	9.1%
<b>Total Liabilities</b>	<b>30,182,733</b>	<b>27,768,970</b>	<b>2,413,763</b>	<b>8.7%</b>
<b>Fund Balance</b>				
Restricted	14,461,687	14,362,058	99,629	0.7%
<b>Total Fund Balance</b>	<b>14,461,687</b>	<b>14,362,058</b>	<b>99,629</b>	<b>0.7%</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 44,644,420</b>	<b>\$ 42,131,028</b>	<b>\$ 2,513,392</b>	<b>6.0%</b>

**Explanation of Significant Variances**

The Due to Other Governments account reflects the annual activity of counties claiming funds for First 5 California-sponsored programs. Program funds are initially paid through a Clearing Account in the Unallocated Account and then are distributed to the ultimate fund sources, including the Mass Media Communications Account, the Education Account, the Child Care Account, and the Research and Development Account.

The Investments account as of June 30, 2015 is increased over 2014 and reflects a higher cash balance which has been deposited in the State Surplus Money Investment Fund until needed to pay claims. Most of those claims are included in the account Due To Other Governments which has a balance also higher than 2014, reflecting increased activity in First 5 programs and the accrual of estimated obligations at June 30, 2015.

**Fund 0639 – Unallocated Account**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2015	2014	Dollar	Percentage
<b>Revenue</b>				
Interest Revenue	\$ 45,629	\$ 60,416	\$ (14,787)	(24.5%)
Other Revenue	197	-	197	-
<b>Total Revenue</b>	45,826	60,416	(14,590)	(24.1%)
<b>Expenditures</b>	8,548,986	7,650,087	898,899	11.8%
<b>Excess (Deficiency of Revenue) Over (Under) Expenditures</b>	(8,503,160)	(7,589,671)	(913,489)	12.0%
<b>Other Financing Sources &amp; Uses</b>				
Operating Transfers In	8,602,789	8,610,391	(7,602)	(0.1%)
<b>Net Change in Fund Balance</b>	99,629	1,020,720	(921,091)	(90.2%)
<b>Fund Balance, Beginning</b>	14,362,058	13,341,338	1,020,720	7.7%
<b>Fund Balance, Ending</b>	\$ 14,461,687	\$ 14,362,058	\$ 99,629	0.7%

**Explanation of Significant Variances**

No significant variances exist between fiscal years.

**Requests for Information**

This financial report is designed to provide a general overview of First 5 California's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

First 5 California  
 Attn: Administrative Services Division  
 2389 Gateway Oaks Drive, Suite 260  
 Sacramento, CA 95833

# BALANCE SHEET

## California Children and Families Commission California Children and Families Trust Fund and Related Accounts As of June 30, 2015

	California Children and Families Trust Fund (0623)	Counties Children and Families Account (0585)	Mass Media Communications Account (0631)	Education Account (0634)	Child Care Account (0636)	Research and Development Account (0637)	Administration Account (0638)	Unallocated Account (0639)
<b>Assets</b>								
Cash	\$ 2,267,713	\$ 775	\$ 86,480	\$ 488	\$ 240	\$ (11,223)	\$ (37,168)	\$ 20
Investments	67,798,000	76,000	25,178,000	54,398,000	35,702,000	33,720,000	18,902,000	15,990,000
Receivables	36,958,865						7,493	3,188
Due from Other Funds <sup>1</sup>	1,485,374	86,816,381	6,917,414	5,463,389	3,280,184	3,278,500	1,337,536	28,651,212
Prepaid Expenses							68,263	
<b>Total Assets</b>	<b>\$108,509,952</b>	<b>\$ 86,893,156</b>	<b>\$ 32,181,894</b>	<b>\$ 59,861,877</b>	<b>\$ 38,982,424</b>	<b>\$ 36,987,277</b>	<b>\$ 20,278,124</b>	<b>\$ 44,644,420</b>
<b>Liabilities</b>								
Accounts Payable			\$ 1,504,625	\$ 14,999	\$ 156,672	\$ 217,523	\$ 28,099	\$ 907,918
Due to Other Funds <sup>1</sup>	\$108,505,680		6,506,925	11,586,216	2,886,284	2,888,886	604,470	2,951,754
Due to Other Governments		\$ 86,893,156		794	3,712,208	375,000	2,276	26,323,061
<b>Total Liabilities</b>	<b>108,505,680</b>	<b>86,893,156</b>	<b>8,011,550</b>	<b>11,602,009</b>	<b>6,755,164</b>	<b>3,481,409</b>	<b>634,845</b>	<b>30,182,733</b>
<b>Fund Balance</b>								
Restricted	4,272	0	24,170,344	48,259,868	32,227,260	33,505,868	19,643,279	14,461,687
<b>Total Fund Balance</b>	<b>4,272</b>	<b>0</b>	<b>24,170,344</b>	<b>48,259,868</b>	<b>32,227,260</b>	<b>33,505,868</b>	<b>19,643,279</b>	<b>14,461,687</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$108,509,952</b>	<b>\$ 86,893,156</b>	<b>\$ 32,181,894</b>	<b>\$ 59,861,877</b>	<b>\$ 38,982,424</b>	<b>\$ 36,987,277</b>	<b>\$ 20,278,124</b>	<b>\$ 44,644,420</b>

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

<sup>1</sup> See Note 3

# STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

## California Children and Families Commission California Children and Families Trust Fund and Related Accounts For the Fiscal Year Ended June 30, 2015

	California Children and Families Trust Fund (0623)	Counties Children and Families Account (0585)	Mass Media Communications Account (0631)	Education Account (0634)	Child Care Account (0636)	Research and Development Account (0637)	Administration Account (0638)	Unallocated Account (0639)
<b>Revenue</b>								
Cigarette Tax Revenue	\$ 460,968,549							
Interest Revenue	84,862	\$ 38,732	\$ 64,230	\$ 128,330	\$ 87,450	\$ 77,087	\$ 51,312	\$ 45,629
Other Revenue			597,489	163,265			479,962	197
<b>Total Revenue</b>	<b>461,053,411</b>	<b>38,732</b>	<b>661,719</b>	<b>291,595</b>	<b>87,450</b>	<b>77,087</b>	<b>531,274</b>	<b>45,826</b>
<b>Expenditures</b>	16,213,951	344,150,300	22,886,090	16,003,573	10,549,964	5,376,867	6,629,953	8,548,986
<b>Excess (Deficiency) of Revenues Over(Under) Expenditures</b>	<b>444,839,460</b>	<b>(344,111,568)</b>	<b>(22,224,371)</b>	<b>(15,711,978)</b>	<b>(10,462,514)</b>	<b>(5,299,780)</b>	<b>(6,098,679)</b>	<b>(8,503,160)</b>
<b>Other Financing Sources &amp; Uses</b>								
Operating Transfers In <sup>1</sup>		344,111,568	25,808,367	21,506,973	12,904,184	12,904,184	4,301,395	8,602,789
Operating Transfers Out <sup>1</sup>	444,839,460							
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>3,583,996</b>	<b>5,794,995</b>	<b>2,441,670</b>	<b>7,604,404</b>	<b>(1,797,284)</b>	<b>99,629</b>
<b>Fund Balance July 1, 2014</b>	<b>4,272</b>	<b>0</b>	<b>20,586,348</b>	<b>42,464,873</b>	<b>29,785,590</b>	<b>25,901,464</b>	<b>21,440,563</b>	<b>14,362,058</b>
<b>Fund Balance June 30, 2015</b>	<b>\$ 4,272</b>	<b>\$ 0</b>	<b>\$ 24,170,344</b>	<b>\$ 48,259,868</b>	<b>\$ 32,227,260</b>	<b>\$ 33,505,868</b>	<b>\$ 19,643,279</b>	<b>\$ 14,461,687</b>

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

<sup>1</sup> See Note 3

# NOTES TO FINANCIAL STATEMENTS

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## California Children and Families Commission California Children and Families Trust Fund and Related Accounts For the Fiscal Year Ended June 30, 2015

### NOTE 1 Reporting Entity and Summary of Significant Accounting Policies

#### A. Definition of Reporting Entity

The California Children and Families Trust Fund (Trust Fund) and its related accounts were created by the *California Children and Families Act of 1998 (Act)*. Programmatic and fiscal oversight for the Act was placed with the California Children and Families Commission (First 5 California). The Act is intended to promote, support, and improve the early development of children from the prenatal stage to five years of age. The Trust Fund and its related accounts are included as a special revenue fund in the State of California's financial statements.

The programs authorized by this Act are administered by First 5 California and by county children and families commissions. The First 5 California Commission is comprised of seven members.

Prior to January 1, 1999, the State Board of Equalization (BOE) was authorized to collect 37 cents for each cigarette pack distributed. On January 1, 1999, section 30131.2 of the Revenue and Taxation Code authorized BOE to collect an additional 50 cents for each cigarette pack distributed, for a total of 87 cents per cigarette pack, as well as a surtax on other tobacco products. Of the 87 cents collected, 50 cents is allocated and deposited into the Trust Fund. The remainder funds Proposition 99 and Breast Cancer programs.

While First 5 California has full responsibility for the program and financial statements, BOE receives, accounts for, and deposits the cigarette and tobacco product tax revenue into the Trust Fund. Further, the Department of General Services performs accounting services for First 5 California.

The Trust Fund was established to provide funding for promoting, supporting, and improving the early development of children from the prenatal stage to five years of age, with emphasis on community awareness, education, nurturing, child care, social services, health care, and research. It primarily functions as a pass-through account which transfers funds to the seven related accounts according to allocation percentages established by the Act. The county commissions receive 80 percent of the funding and First 5 California receives 20 percent, which is allocated to six separate accounts that implement specific functions of the Act, as illustrated in Table 1.

**Table 1: California Children and Families Trust Fund (0623)  
Cigarette Tax Revenue Allocation**

<b>Account</b>	<b>Account Title</b>	<b>Percent Allocation</b>	<b>Account Purpose</b>
0585	Counties Children and Families Account	80%	For allocation to county commissions <sup>1</sup> for the purposes authorized in the Act and in accordance with each county's strategic plan. All county commission expenditures must be incurred in accordance with the provisions of the Health and Safety Code section 130105 (d)(2).
0631	Mass Media Communications Account	6%	For funding communications to the general public utilizing television, radio, newspapers, and other mass media furthering the goals and purposes specified in the Act.
0634	Education Account	5%	For funding education goals and purposes as specified in the Act.
0636	Child Care Account	3%	For funding child care goals and purposes as specified in the Act.
0637	Research and Development Account	3%	For funding research and development goals and purposes as specified in the Act.
0638	Administration Account	1%	For funding administrative costs and other purposes as specified in the Act.
0639	Unallocated Account	2%	For funding any other purposes of the Act, except for administrative costs.

**B. Basis of Presentation—Fund Accounting**

The Trust Fund and related accounts are classified as *Other Governmental Cost Funds* for State of California financial reporting purposes. *Other Governmental Cost Funds* are special revenue funds used to account for revenues restricted by law for specified purposes. The financial statements are presented in accordance with generally accepted accounting principles.

**C. Measurement Focus and Basis of Accounting**

The governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. This measurement focus concentrates on transactions that increase or decrease resources available for spending in the near future. Under the modified accrual basis of accounting, First 5 California records revenues when they are measurable and available within the ensuing 12 months. Expenditures are recorded when the related liability is incurred.

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<sup>1</sup> Each First 5 county commission is allocated funds from Account 0585 based on the number of live births recorded in each county in proportion to the entire number of live births recorded statewide. For the fiscal year 2014-15 allocations, the 2012 birth vital statistics compiled by the California Department of Finance were used as this was the most recent reporting period available.

D. Budget and Budgetary Control

Under Revenue and Taxation Code section 30131.3, the moneys deposited into the Trust Fund are continuously appropriated for the exclusive purpose of the California Children and Families Program.

E. Investment Basis and Allocation of Investment Income

Investments consist of cash in excess of current needs on deposit in the Surplus Money Investment Fund (SMIF). The Trust Fund and related accounts participate in the State of California's Pooled Money Investment Program, whereby cash on deposit in the State Treasury determined to be in excess of immediate needs is transferred to the SMIF for investment purposes. All earnings from investments are apportioned to the contributing fund as provided in the Government Code. The participant's shares are valued on an amortized cost basis, which approximates fair value. Because the difference between the amortized cost and fair value is not material, no adjustment has been made in the financial statements.

F. Accounts Receivable

Accounts receivable consists of unbilled earned revenues and revenues collected by BOE but not yet transferred to the Trust Fund as of June 30, 2015. Accounts receivable is recorded net of estimated uncollectible amounts.

G. Revenue

Revenue consists of the taxes collected on the sales of cigarette packs and other tobacco products, interest income earned on funds deposited in the SMIF, unclaimed checks escheated to the issuing fund, and program and conference revenues. Program revenues include funds received from the California Department of Education through its federal Race to the Top-Early Learning Challenge grant.

H. Fund Balance

First 5 California's fund balance classification is restricted according to Governmental Accounting Standard Board (GASB) Statement Number 54. Restricted fund balances include resources that are subject to constraints that are externally enforceable legal restrictions such as the Act's enabling legislation.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**NOTE 2 Investments**

For disclosures related to investment policy and related investment risk categories, see the State of California Comprehensive Annual Financial Report.

**NOTE 3 Interfund Transactions**

*Interfund Balances*

These balances result from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments are made between funds. The Due From Other Funds general ledger account consists of revenue recorded in the originating fund that is pending transfer to another fund for disbursement purposes. The Unallocated Account (0639) includes the clearing account and related reimbursement accruals for expenditures incurred on behalf of the other accounts.

**Table 2: Due From Other Funds**

<b>Fund/Account</b>	<b>Due From Fund/Account</b>	<b>Amount</b>
Fund 0623: Trust Fund		
	BOE General Fund (0001)	\$ 1,462,863
	Surplus Money Investment Fund (0681)	<u>22,511</u>
	Total Due From Other Funds	\$ 1,485,374
Account 0585: Counties Children and Families Account		
	Trust Fund (0623)	\$ 86,804,544
	Surplus Money Investment Fund (0681)	<u>11,837</u>
	Total Due From Other Funds	\$ 86,816,381
Account 0631: Mass Media Communications Account		
	Trust Fund (0623)	\$ 6,510,341
	Health Care Deposit Fund (0912)	17,700
	Surplus Money Investment Fund (0681)	<u>389,373</u>
	Total Due From Other Funds	\$ 6,917,414
Account 0634: Education Account		
	Trust Fund (0623)	\$ 5,425,284
	Surplus Money Investment Fund (0681)	<u>38,105</u>
	Total Due From Other Funds	\$ 5,463,389
Account 0636: Child Care Account		
	Trust Fund (0623)	\$ 3,255,170
	Surplus Money Investment Fund (0681)	<u>25,014</u>
	Total Due From Other Funds	\$ 3,280,184
Account 0637: Research and Development Account		
	Trust Fund (0623)	\$ 3,255,170
	Surplus Money Investment Fund (0681)	<u>23,330</u>
	Total Due From Other Funds	\$ 3,278,500
Account 0638: Administration Account		
	Trust Fund (0623)	\$ 1,085,057
	Surplus Money Investment Fund (0681)	13,514
	Federal Trust Fund (0890)	<u>238,965</u>
	Total Due From Other Funds	\$ 1,337,536

<b>Fund/Account</b>	<b>Due From Fund/Account</b>	<b>Amount</b>
Account 0639: Unallocated Account		
	Trust Fund (0623)	\$ 2,170,114
	Mass Media Communications Account (0631)	5,772,569
	Education Account (0634)	11,580,761
	Child Care Account (0636)	2,886,284
	Research and Development Account (0637)	2,888,886
	Administration Account (0638)	455,467
	Unallocated Account (0639)	2,886,284
	Surplus Money Investment Fund (0681)	<u>10,847</u>
	Total Due From Other Funds	\$ 28,651,212

The Due To Other Funds general ledger account represents revenue accrued for transfer to the related accounts as of year-end, and reimbursements to the Unallocated Account (0639) at year-end.

**Table 3: Due To Other Funds**

<b>Fund/Account</b>	<b>Due To Fund/Account</b>	<b>Amount</b>
Fund 0623: Trust Fund		
	Counties Children and Families Account (0585)	\$ 86,804,544
	Mass Media Communications Account (0631)	6,510,341
	Education Account (0634)	5,425,284
	Child Care Account (0636)	3,255,170
	Research and Development Account (0637)	3,255,170
	Administration Account (0638)	1,085,057
	Unallocated Account (0639)	<u>2,170,114</u>
	Total Due To Other Funds	\$108,505,680
Account 0631: Mass Media Communications Account		
	Unallocated Account (0639)	5,772,569
	Various other funds	<u>734,356</u>
	Total Due To Other Funds	\$ 6,506,925
Account 0634: Education Account		
	General Fund	\$5,455
	Unallocated Account (0639)	<u>11,580,761</u>
	Total Due to Other Funds	\$11,586,216
Account 0636: Child Care Account		
	Unallocated Account (0639)	\$2,886,284
Account 0637: Research and Development Account		
	Unallocated Account (0639)	\$2,888,886
Account 0638: Administration Account		
	General Fund	\$ 41,515
	Unallocated Account (0639)	455,467
	Various other funds	<u>107,488</u>
	Total Due To Other Funds	\$ 604,470
Account 0639: Unallocated Account		
	General Fund	\$ 65,470
	Unallocated Account (0639)	<u>2,886,284</u>
	Total Due To Other Funds	2,951,754

### Interfund Transfers

Legally authorized transfers between state funds are reported on the *Statement of Revenue, Expenditures, and Changes in Fund Balance* as Transfers In or Transfers Out, and are accounted for as increases or decreases in residual equity.

The Transfers In for the seven related accounts are calculated based on the applicable allocation percentages specified in Note 1.

**Table 4: Transfers In**

Transfers in from Fund 0623 Trust Fund to:	
Counties Children and Families (0585)	\$ 344,111,568
Mass Media Communications (0631)	25,808,367
Education (0634)	21,506,973
Child Care (0636)	12,904,184
Research and Development (0637)	12,904,184
Administration (0638)	4,301,395
Unallocated (0639)	<u>8,602,789</u>
Total Operating Transfers in	\$ 430,139,460

**Table 5: Transfers Out**

Transfers out from Fund 0623 Trust Fund to:	
Related accounts	\$ 430,139,460
Backfill	<u>14,700,000</u>
Total Operating Transfers Out	\$ 444,839,460

The Trust Fund's Transfers Out represents the sum of the Transfers In to the seven related accounts and the statutorily required backfill of \$14.7 million for Proposition 99 and Breast Cancer programs. Section 130105 of the Health and Safety Code requires the Trust Fund, on an annual basis, to backfill the loss of funding for certain Proposition 99 (Tobacco Tax and Health Protection Act of 1988) and Breast Cancer Fund programs to offset the revenue loss from declining cigarette and tobacco product consumption resulting from the imposition of additional taxes on cigarettes and tobacco products by the Act. BOE makes the fiscal determination of the backfill amount and transfers the appropriate funds.

#### **NOTE 4 Contingent Liabilities**

BOE is involved in legal proceedings that, if decided against BOE, may result in a loss of funds available for transfer to the various programs supported by tobacco taxes. Specifically, a distributor has filed claims for the periods January 2008 through October 2011, and is anticipated to continue filing claims as the statute of limitations periods approach for each reporting period. Claims filed to date total \$101,281,249. The claims are currently in settlement. At this time, it is not possible to predict the ultimate outcome concerning these claims or the amount of any future claims filed on this issue. Therefore, no provision for the potential liability has been made in the financial statements.

**NOTE 5 Subsequent Event**

Beginning July 1, 2016, First 5 California was part of the Wave 2 launch of the state's new financial management system, Financial Information System for California (FI\$Cal). FI\$Cal integrates budgeting, accounting, procurement and cash management processes into a single framework. With the implementation of the new system, First 5 California has been experiencing several migration challenges raising concerns that it will be unable to meet its January 31<sup>st</sup> statutory reporting deadline.

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

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Mr. George C. Halvorson, Chair  
California Children and Families Commission  
2389 Gateway Oaks Drive, Suite 260  
Sacramento, CA 95833

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 of the California Children and Families Trust Fund and related accounts for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise California Children and Families Commission's (First 5 California) financial statements, and have issued our report thereon dated March 4, 2016.

The Department of Finance (Finance) and the audited entity are both part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. Under *Government Auditing Standards*, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered First 5 California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of First 5 California's internal control. Accordingly, we do not express an opinion on the effectiveness of First 5 California's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether First 5 California's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



Cheryl L. McCormick, CPA  
Assistant Chief, Office of State Audits and Evaluations

March 4, 2016