



October 12, 2026

To the Board of Commissioners
First 5 Contra Costa Children and Families Commission
Concord, California

We have audited the financial statements of First 5 Contra Costa Children and Families Commission, a component unit of the County of Contra Costa, California (Commission) as of and for the year ended June 30, 2026, and have issued our report thereon dated October 12, 2026. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and Government Auditing Standards

As communicated in our letter dated March 23, 2026, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls in our 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* dated October 12, 2026.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. As discussed in Note 1 to the financial statements, the Commission has changed accounting policies related to the presentation of certain items in the required supplementary information (RSI) to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, and to the disclosure of certain capital assets to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 104, *Disclosure of Certain Capital Assets*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and related disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive (or present higher risk of material misstatement) because of their significance to the financial statements and because of their complexity, subjectivity, inherent risk factors, greater degree of estimation uncertainty, and the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are related to the net pension liability and the net other postemployment benefits (OPEB) liability.

Management's estimates of the net pension liability and the net OPEB liability, and related deferred inflows and outflows of resources are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Commission's financial statements relate to:

- As disclosed in Note 12 to the financial statements, the valuation of the Commission's net pension liability and related deferred outflows and inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed in Note 12, a one percent increase or decrease in the discount rate has a material effect on the Commission's net pension liability.

- As disclosed in Note 13 to the financial statements, the valuation of the Commission's net other postemployment benefits (OPEB) liability and related deferred outflows and inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return, the discount rate, and the healthcare cost trend rate. As disclosed in Note 13, a one percent increase or decrease in the discount rate or the healthcare cost trend rate has a material effect on the Commission's net OPEB liability.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The attached Schedule of Corrected Misstatements summarizes misstatements that were brought to the attention of, and corrected, by management. There were no uncorrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

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

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

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated October 12, 2026.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with , we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

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

Eide Bailly LLP

Ontario, California

First 5 Contra Costa
Schedule of Corrected Misstatements
Year Ended June 30, 2026

Number	Opinion Unit(s)	Account/Description	Debit	Credit
1	General Fund / Governmental Activities	Accounts payable	\$ 538,306	\$ -
		Grants and contracts payable	-	520,788
		Grants and contracts payable to related parties	-	17,518
<i>(To reclassify liabilities to proper accounts for fiscal year 2026)</i>				
2	General Fund / Governmental Activities	Other revenue	\$ 122,325	\$ -
		Grants income	-	122,325
<i>(To reclassify revenues to proper accounts for fiscal year 2026)</i>				
3	General Fund/ Governmental Fund	CA Electronic Cigarette Excise Tax Revenues	\$ 16,354	\$ -
		Deferred Inflows - Unavailable Revenues	-	16,354
<i>(To reclassify revenue as unavailable for fiscal year 2026)</i>				

Financial Statements

For the Year Ended June 30, 2026

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa, California)

First 5 Contra Costa Children and Families Commission

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Independent Auditor's Report

To the Board of Commissioners
First 5 Contra Costa Children and Families Commission
Concord, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the First 5 Contra Costa Children and Families Commission (Commission), a component unit of the County of Contra Costa, California as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the First 5 Contra Costa Children and Families Commission, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, the schedule of the Commission's proportionate share of the net pension liability/(asset), schedule of pension contributions, schedule of changes in the Commission's net other postemployment benefits (OPEB) and related ratios, and the schedule of the Commission's OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic

financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report October 12, 2026, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Eide Bailly LLP

Ontario, California
October 12, 2026

Management's Discussion and Analysis

The purpose of the Management's Discussion and Analysis (MD&A) is to help families and other readers understand what the financial statements and notes in this financial report say about the financial health of the First 5 Contra Costa Children and Families Commission (Commission) and why that health has changed since last year. This report contains information drawn from other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the organization's finances for the fiscal year ended June 30, 2026. This information should be read in conjunction with the financial statements and the notes to the financial statements beginning on page 19.

Overview of the Financial Statements

The Commission's financial report includes:

The basic financial statements, which include the government-wide financial statements and the fund financial statements,

1. Notes to the financial statements,
2. Required supplementary information, and
3. Other supplementary information.

Government-Wide Financial Statements

The government-wide financial statements provide a broad overview of the Commission's activities as a whole and are comprised of the statement of net position and the statement of activities. The statement of net position provides information about the financial position of the Commission on the full accrual basis, similar to that used in the private sector. It shows the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The statement of activities provides information about the Commission's revenues and all its expenses, also on a full accrual basis, and explains in detail the change in net position for the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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 or objectives. Fund accounting is used to ensure and demonstrate compliance with finance related legal requirements. All the Commission's activities are accounted for in the general fund.

The fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements report the Commission's operations in more detail and focus primarily on the short-term activities of the Commission. The fund financial statements are prepared on the modified accrual basis and measure only current revenues, expenditures and fund balances; they exclude capital assets and long-term liabilities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and general fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other information concerning the Commission's finances.

Fiscal 2026 Financial Summary

The Commission's overall financial position declined slightly in 2026, but the financial picture was nuanced. At June 30, 2026, the Commission had \$17.9 million in net position, compared with \$18.4 million in 2025. This is a decrease of about \$557,000, or 3%. This is because the Commission had about \$3.0 million less in assets than it did the previous year. A large part of that decrease came from a \$2.1 million reduction in the value of buildings, equipment, infrastructure, and other capital assets, primarily as those assets were depreciated or removed from service. The Commission also had about \$887,000 less in cash and other current assets.

At the same time, however, the Commission reduced what it owed by almost \$4.0 million. Most of this improvement came from a \$3.8 million reduction in long-term liabilities due to the cancelation of the Commission's lease of the former administrative offices. In other words, while the Commission had fewer assets at year-end, it also had substantially fewer obligations.

Although the Commission ended 2026 with about \$557,000 less overall net position than the previous year, this does not necessarily mean its financial condition deteriorated significantly. The Commission reduced its liabilities by nearly \$4 million, which is a significant positive change. The overall decrease in net position was largely the result of lower asset values and lower unrestricted resources, offset in substantial part by the reduction in liabilities.

	Governmental Activities		
	2026	2025	Change
Assets			
Current and other assets	\$ 17,068,567	\$ 17,955,526	\$ (886,959)
Capital assets, net of depreciation	4,308,794	6,438,709	(2,129,915)
Total Assets	21,377,361	24,394,235	(3,016,874)
Deferred outflows of resources	591,227	1,455,288	(864,061)
Liabilities			
Current liabilities	1,315,966	1,474,985	(159,019)
Noncurrent liabilities	1,735,590	5,565,928	(3,830,338)
Total Liabilities	3,051,556	7,040,913	(3,989,357)
Deferred inflows of resources	1,065,388	400,091	665,297
Net Position			
Net investment in Capital Assets	3,247,806	3,086,958	160,848
Unrestricted	14,603,838	15,321,561	(717,723)
Total Net Position	\$ 17,851,644	\$ 18,408,519	\$ (556,875)

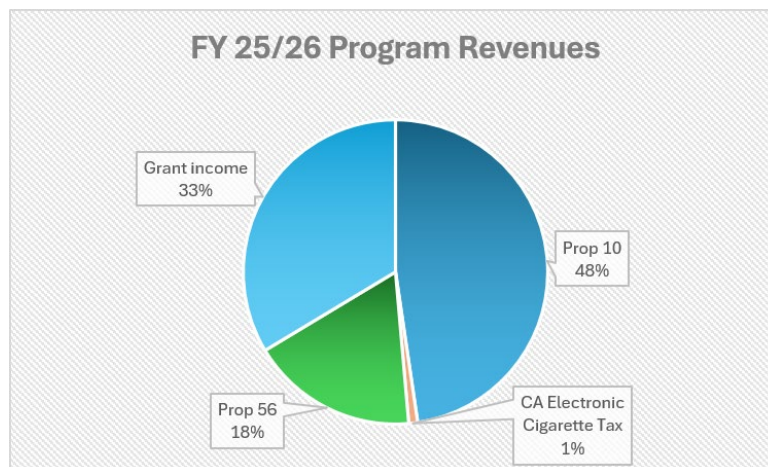
Detailed Financial Analysis

Although the Commission's overall financial position declined by approximately \$557,000 in fiscal year 2025/26, this amount represents a significant improvement compared with the \$1.6 million decline in fiscal year 2024/25, especially in light of the long, slow steady reduction of Proposition 10 revenues over the last several years. This year-over-year change was the result of total revenues holding steady at \$9.8 million—only a \$93,000 decline from the previous year—while total expenses declined by approximately \$950,000, from \$11.3 million to \$10.4 million.

	Governmental Activities		
	2026	2025	Change
Program Revenues			
Prop 10	\$ 4,116,542	\$ 4,095,311	\$ 21,231
CA Electronic Cigarette Tax	81,668	73,842	7,826
Prop 56	1,534,143	1,789,558	(255,415)
Grant income	2,903,895	2,912,199	(8,304)
Total Program Revenues	8,636,248	8,870,910	(234,662)
General Revenues			
Interest income	556,555	690,769	(134,214)
Unrealized gain/(loss)	(19,814)	97,914	(117,728)
Rental income	49,060	34,700	14,360
Miscellaneous	588,438	23,384	565,054
Total General Revenues	1,174,239	846,767	327,472
Expenses			
Child development	10,255,600	11,147,873	(892,273)
Interest expense	111,762	169,854	(58,092)
Total Expenses	10,367,362	11,317,727	(950,365)
Change in net position	(556,875)	(1,600,050)	1,043,175
Net position, beginning of year	18,408,519	20,008,569	(1,600,050)
Net position, end of year	\$ 17,851,644	\$ 18,408,519	\$ (556,875)

Commission Revenue

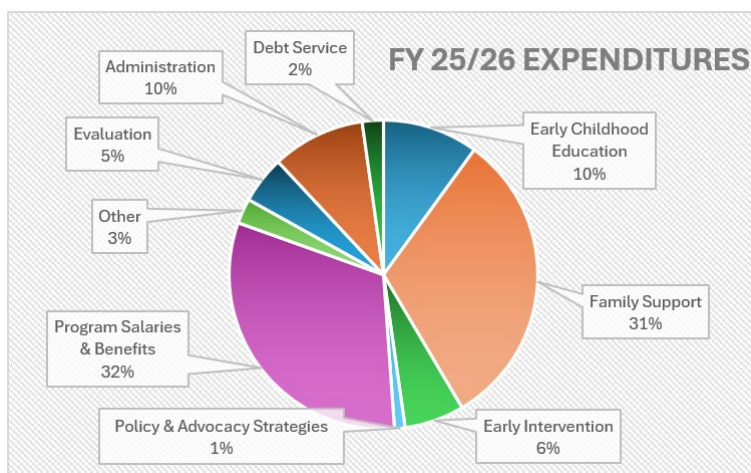
The Commission received approximately \$8.6 million in program revenues, including Proposition 10 funding, California electronic cigarette tax revenue (CECET), Proposition 56 funding, and external grants, including familiar sources such as IMPACT Legacy, IMPACT HUB, Quality Counts California (QCC), California State Preschool Program (CSPP), the Children & Youth Behavioral Health Initiative (CYBHI), Children with Disabilities Inclusion funding (Measure X), and other foundation grants, as well as interest income. This was about \$235,000 less than the \$8.9 million received in 2025, a decrease of 2.6%. Proposition 10 revenue increased slightly by approximately \$21,000 despite the multi-year trend of a shrinking revenue base due to decreasing societal acceptance of tobacco and a declining birthrate statewide, including in Contra Costa County; additionally, CECET experienced a modest uptick of approximately \$8,000. These increases, however, were more than offset by a \$255,000 decrease in Proposition 56 revenue, a 14.3% decline from the previous fiscal year. External grant revenue remained flat at \$2.9 million, declining by about \$8,000.



The Commission also received nearly \$1.2 million in general revenues, an increase of about \$327,000 from the prior year. This increase was primarily due to a significant increase in miscellaneous revenue from the gain on the lease termination of the old administrative offices. Rental income also increased modestly due to short-term rentals of office space also at the old administrative offices. These increases were partially offset by lower interest income because of the Commission's declining cash balance in the pool and lower rates of return, and a decrease in the value of investments, reflected in the unrealized investment loss (cash is maintained in Contra Costa County's cash and investment pool where interest earned on the Commission's balance gets apportioned to the Commission).

Commission Expenses

On the expense side, the Commission spent approximately \$10.4 million during 2026, which was about \$950,000 less than the previous year. The majority of this reduction came from child development expenses, which decreased significantly by approximately \$892,000, due to concerted efforts to reduce spending, underspending by Commission contractors at two First 5 Centers because of staffing shortages, and timing of spending of multi-year grants. Interest expense also declined by approximately \$58,000 from the termination of the old administrative office lease.



When revenues and expenses are considered together, year over year revenues were relatively stable overall, while expenses—particularly child development expenses—declined substantially. The Commission received approximately \$9.8 million in total revenues compared with \$10.4 million in expenditures. Thus, although the Children and Families Commission continued to spend more than it received in 2026 resulting in a \$557,000 reduction in net position, the gap was smaller than the \$1.6 million reduction in 2025, signaling that the agency is moving in the right direction.

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance

In FY 2025/26, revenues totaling \$9.3 million were received into First 5's General Fund. Total receipts fell short of budget by approximately \$592,000 or 5.9%. Collectively, Proposition 10, Proposition 56, and CECET revenues totaled \$5,732,353, falling short of budget by \$581,275 due to declining use of tobacco products and declining birthrates. Proposition 56 backfill was particularly low at \$1,534,143, a decline of more than 14.0% from the previous fiscal year, for the same aforementioned reasons. Expenditures totaled \$10,290,487 and were under budget by more than \$3.2 million. Half of this underspending is attributable to budget amendments made to the FY 2025/26 budget on the revenue side. The budget was adopted early in the fiscal year before the Commission knew how much it could expect to receive in grant revenue. After the additional funding was identified, revenues were increased in the external grants budget without corresponding decreases to the General Fund budget (\$1.5 million).

With revenues of \$9.3 million and expenditures totaling \$10.2 million, the Commission dipped into reserves to make up the shortfall, resulting in a net decrease to fund balance totaling \$912,352, far below the budgeted fund balance drawdown of \$3.5 million.

Governmental Fund Balances

FY 2025/26 saw big changes in fund balances, not so much in the total but in the type. Total fund balance decreased from \$16.9 million to \$16.0 million due to the scheduled draw down of fund balance to close the FY 2025/26 budget deficit. Nonspendable decreased from \$613,573 in FY 24/25 to \$172,283 in FY 25/26. Committed increased from \$4.5 million to \$5.2 million, the bulk of which was due to the \$3.5 million budgeted to draw down from reserves to close the budget deficit in the FY 25/26 Amended Budget. Assigned fund balance increased from \$3.5 million to \$10.7 million. with the establishment of the Transition Reserve.

In May 2026, the Commission approved a plan to move \$7.7 million from Unassigned Fund Balance into a new reserve called the Transition Reserve. This reserve would be used to fund the next four years of activities at the First 5 Family Centers and Developmental Playgroups, as the organization transitions away from directly funding such services, thus giving contractors and community partners time to adapt program models, adjust their plans and activities, and time to search for other stewards in a position to step-in and fund such services. When funding in the Transition Reserve is exhausted, the Reserve will be closed. In FY 24/25, unassigned funds equaled \$8.3 million but were eliminated altogether with the establishment of the Transition Reserve and their placement in Assigned Fund Balance as discussed above.

Capital Assets

The Commission's capital assets consist of land, buildings and improvements, furniture and fixtures, and right-to-use lease and subscription-based IT arrangement assets. At 2025/26 fiscal year-end, capital assets being depreciated equaled \$5,288,057, including the addition of \$833,067 for the new administrative office space on Clayton Road. Capital assets being deleted included \$3,924,961 for the old office space on Port Chicago Highway as well as its furniture and fixtures.

The Commission started the fiscal year with accumulated depreciation of -\$2.4 million. During the fiscal year, -\$437,740 was added while \$1,308,210 was deleted, for a year-end total net of -\$1,509,310. Again, nearly all additions and deletions were the result of the Commission moving its administrative offices.

Capital Assets, Net	
July 1, 2025	6,331,709
Additions	395,327
Deletions	(2,616,751)
June 30, 2026	<u>4,110,285</u>

In the end, capital assets from the governmental activities perspective changed significantly due to the move of the administrative office: approximately \$395,000 was added and -\$2,617,000 was deleted for total net capital assets of \$4,110,285.

Long-Term Obligations

The Commission's long-term obligations are the long-term portion of compensated absences, net pension and OPEB liabilities, lease liability, and subscription-based IT arrangements that span multiple fiscal years at year-end. They are not due and payable in the current period and therefore are not reported in the funds. These "noncurrent liabilities" decreased \$3.9 million from the previous year, largely due to the \$2.4 million decrease in lease liability from the move of the administrative offices and the \$1.2 million decrease in net pension liability based on the latest actuarial valuation.

Currently Known Facts, Decisions or Conditions

Despite tobacco sales continued downward trajectory statewide, Proposition 10 tobacco tax revenues received by the Commission remained flat in FY 2025/26. This slight reprieve is not expected to continue as tobacco sales are expected to decline for the next several years before eventually leveling off. Indeed, Capital Matrix Consulting, who First 5 California retains to provide revenue projections, “conservatively” estimates that statewide revenue totals will decline 6.0% in both FY 2026/27 and FY 2027/28 after which the decline is projected to slow to 3.6% for the next two fiscal years.

California has also experienced a declining birth rate over the last several years, a trend that is expected to continue. Indeed, demographic projections from the California Department of Finance (DOF) show that California's birth rate and fertility patterns will continue their historic decline well below the replacement level. In 2025, live births in Contra Costa County totaled 10,905 but are projected to decrease in both 2026 and 2027. These decreases translate into corresponding revenue declines for the Commission for the next several years going forward. In response, the Commission issued a Sustainability Plan in 2025 which is being implemented currently.

In summary, the Commission ended the 2025/26 fiscal year with a decrease in net position of governmental activities of \$556,875. The agency also ended the year with a decrease in fund balance totaling \$895,998. Both decreases were smaller amounts than the previous fiscal year, signaling that the organization is moving in the right direction.

Contacting the Commission's Financial Management

This annual report is intended to provide the community with a general overview of the Commission's finances. Questions about this report should be directed to the Commission's Executive Director at 2300 Clayton Road, Suite 300, Concord, California 94520.

First 5 Contra Costa Children and Families Commission

Statement of Net Position

June 30, 2026

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and investments	\$ 15,259,026
Accounts receivable	317,606
Due from other governments	1,426,652
Prepaid items	<u>65,283</u>
Total current assets	<u>17,068,567</u>
Noncurrent Assets	
Note receivable	107,000
Capital assets not being depreciated	331,538
Capital assets being depreciated, net	2,992,673
Net OPEB Asset	91,509
Right to use leased assets being amortized, net	772,776
Right to use subscription IT assets being amortized, net	<u>13,298</u>
Total noncurrent assets	<u>4,308,794</u>
Total assets	<u>21,377,361</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	299,776
Deferred outflows related to OPEB	<u>291,451</u>
Total deferred outflows of resources	<u>591,227</u>
Liabilities	
Current Liabilities	
Accounts payable	167,401
Grants and contracts payable	520,788
Grants and contracts payable to related parties	17,518
Accrued wages and benefits	425,837
Compensated absences, current portion	36,517
Lease liability, current portion	128,764
SBITA liability, current portion	<u>19,141</u>
Total current liabilities	<u>1,315,966</u>
	(Continued)

First 5 Contra Costa Children and Families Commission

Statement of Net Position

June 30, 2026

	Governmental Activities
Noncurrent Liabilities	
Compensated absences	\$ 328,656
Net pension liability	692,360
Lease liability	714,574
Total noncurrent liabilities	1,735,590
Total liabilities	3,051,556
Deferred Inflows of Resources	
Deferred inflows related to pensions	602,226
Deferred inflows related to OPEB	463,162
Total deferred inflows of resources	1,065,388
Net position	
Net investment in capital assets	3,247,806
Unrestricted	14,603,838
Total net position	\$ 17,851,644

First 5 Contra Costa Children and Families Commission

Statement of Activities

For the Year Ended June 30, 2026

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
<u>Governmental Activities</u>	<u>Expenses</u>	<u>Operating Grants And Contributions</u>	<u>Governmental Activities</u>
Child development	\$ 10,255,600	\$ 8,636,248	\$ (1,619,352)
Interest expense	111,762	-	(111,762)
Total Governmental Activities	<u>\$ 10,367,362</u>	<u>\$ 8,636,248</u>	<u>(1,731,114)</u>
General Revenues			
Investment income			556,555
Unrealized loss			(19,814)
Rental income			49,060
Miscellaneous			588,438
Total General Revenues			<u>1,174,239</u>
Change in Net Position			(556,875)
Net Position, beginning			<u>18,408,519</u>
Net Position, June 30			<u>\$ 17,851,644</u>

First 5 Contra Costa Children and Families Commission

Governmental Fund Balance Sheet

June 30, 2026

	<u>General Fund</u>
Assets	
Cash and investments	\$ 15,259,026
Accounts receivable	317,606
Due from other governments	1,426,652
Prepaid items	65,283
Note receivable	<u>107,000</u>
Total assets	<u><u>\$ 17,175,567</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 167,401
Grants and contracts payable	520,788
Grants and contracts payable to related parties	17,518
Accrued wages and benefits	<u>425,837</u>
Total liabilities	<u>1,131,544</u>
Deferred Inflow of Resources	
Unavailable Revenue	<u>16,354</u>
Fund Balances	
Nonspendable	172,283
Committed	5,202,011
Assigned	<u>10,653,375</u>
Total fund balances	<u>16,027,669</u>
Total liabilities and fund balances	<u><u>\$ 17,175,567</u></u>

First 5 Contra Costa Children and Families Commission
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2026

Fund balance of governmental fund	\$ 16,027,669
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,110,285
Revenues which are deferred inflows on the fund financial statements because they are not currently available, are reported as revenue in the Government-wide statement of activities	16,354
Deferred inflows and outflows of resources related to the net pension liability are not due and payable in the current period and therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	299,776
Deferred inflows of resources related to pensions	(602,226)
Deferred inflows and outflows of resources related to the net OPEB liability are not due and payable in the current period and therefore, are not reported in the funds:	
Deferred outflows of resources related to OPEB	291,451
Deferred inflows of resources related to OPEB	(463,162)
Long-term liabilities/assets are not due and payable in the current period and therefore are not reported in the funds.	
Net pension liability	(692,360)
Net OPEB asset	91,509
Lease liability	(843,338)
SBITA liability	(19,141)
Compensated absences	(365,173)
Net Position of Governmental Activities	<u><u>\$ 17,851,644</u></u>

First 5 Contra Costa Children and Families Commission
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2026

	<u>General Fund</u>
Revenues	
Prop 10 Tobacco Tax	\$ 4,116,542
CA Electronic Cigarette Excise Tax	65,314
Prop 56	1,534,143
Grant income	2,903,895
Interest income	556,555
Unrealized loss	(19,814)
Rental income	49,060
Other revenue	<u>104,912</u>
Total revenues	<u>9,310,607</u>
Expenditures	
Current	
Program Expenditures	
Early care and education	1,024,700
Family support	3,217,241
Early intervention	639,927
Policy advocacy & communication strategies	113,563
Salaries and employee benefits	3,229,702
Other program expenditures	267,822
Evaluation	
Salaries and employee benefits	422,128
Other evaluation expenditures	85,246
Administrative	
Salaries and employee benefits	729,364
Other administrative expenditures	266,442
Debt Service	
Principal	182,590
Interest	<u>111,762</u>
Total expenditures	<u>10,290,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(979,880)</u>
Other financing sources (uses)	
Sale of capital assets	<u>67,528</u>
Net change in fund balance	(912,352)
Fund balance, July 1	<u>16,940,021</u>
Fund balance, June 30	<u><u>\$ 16,027,669</u></u>

First 5 Contra Costa Children and Families Commission
Reconciliation of the Change in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2026

Net change in fund balance - total governmental fund \$ (912,352)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balance because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of capital assets are expensed over their estimated useful lives as depreciation expense.

Depreciation/amortization expense (437,740)

In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as other financing sources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold. (67,528)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability. 29,043

The issuance of long-term debt (e.g., bonds, leases) provides current resources to governmental funds, while the repayment of long-term debt principal is an expenditure in the governmental funds. The issuance of debt increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.

Leases and SBITA liability principal payments 182,590
Termination of office lease 483,526

Revenues not received within the period of availability are recognized as revenues in the subsequent period. 16,354

Governmental funds report OPEB plan contributions as expenditures. However, in the Statement of Activities, OPEB expense is measured as the change in net OPEB liability and the amortization of deferred outflows and inflows related to OPEB. The following amounts reflect changes in the OPEB related balances.

Change in deferred outflows related to OPEB (74,631)
Change in deferred inflows related to OPEB (282,937)
Change in net OPEB liability 447,318

First 5 Contra Costa Children and Families Commission
Reconciliation of the Change in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2026

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, pension expense is measured as the change in net pension liability and the amortization of deferred outflows and inflows related to pensions. The following amounts reflect changes in the pension related balances.

Change in deferred outflows related to pensions	\$ (789,430)
Change in deferred inflows related to pensions	(382,360)
Change in net pension liability	<u>1,231,272</u>
Change in net position of governmental activities	<u><u>\$ (556,875)</u></u>

Note 1 - Summary of Significant Accounting Policies**Reporting Entity**

First 5 Contra Costa Children and Families Commission (Commission) was established by the Contra Costa County Board of Supervisors. The Commission was established to implement the provisions of Proposition (Prop) 10 adopted on November 3, 1998. The Board of Supervisors originally appointed nine Commission members and nine Alternate members on September 1, 1999. One of the Commissioner positions will be occupied by a member of the County Board of Supervisors and will serve a one-year term, three of the Commissioner positions will be occupied by employees of Contra Costa County and will serve without term limit, and the remaining five Commissioner positions will consist of representatives from various organizations or recipients of services and will be appointed for three-year terms. The mission of the Commission is, in partnership with parents, caregivers, communities, public and private organizations, advocates and county government, to foster optimal development of children, prenatally to five years of age. The Contra Costa County Board of Supervisors appoints members of the Commission and may remove any Commission member at any time. The Commission is considered a component unit of the County of Contra Costa, California.

Basis of Accounting and Measurement Focus

The basic financial statements of the Commission are composed of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting government are reported in the financial statements.

The government-wide financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting all assets, liabilities and deferred outflows and inflows of the Commission are included on the statement of net position. The difference between the Commission's assets, liabilities, deferred outflows of resources and deferred inflows of resources is net position. Net position represents the resources the Commission has available for use in providing services. The Commission's spending priority is to spend restricted resources first, followed by unrestricted. The Commission's net position is classified as follows:

Net investment in Capital Assets – This amount represents the Commission's capital assets, net of accumulated depreciation and leased and subscription assets, net of accumulated amortization.

Restricted Net Position – This category represents restrictions imposed on the use of the Commission's resources by parties outside of the government or by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents neither restrictions nor investment in capital assets and may be used by the Commission for any purpose though they may not be necessarily liquid.

Fund Financial Statements

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance of the Commission's general fund. These statements are presented on a current financial resources measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in current resources. All operations of the Commission are accounted for in the general fund.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Prop 10 Tobacco Tax revenue, Prop 56 revenue, California Electronic Cigarette Excise Tax, interest and certain grant payments are accrued when their receipt occurs within ninety (90) days after the end of the accounting period so as to be both measurable and available. Expenditure-driven grant revenues are accrued when their receipt occurs within one year.

Capital Assets

Capital assets, leased assets, and subscription assets are not considered to be financial resources and therefore, are not reported as assets in the fund financial statements. Capital assets are recorded at cost, net of accumulated depreciation in the government-wide financial statements.

The Commission capitalizes assets with a cost in excess of \$5,000 and a useful life greater than one year. The Commission depreciates capital assets using a straight-line method over the estimated useful life of each asset. Leased assets are reported as "right to use" assets and are amortized over the shorter of the asset's useful life or the lease term. The estimated useful life used for the depreciable capital assets and leased assets, ranges from 5 to 35 years.

Right to use leased assets are recognized at the lease commencement date and represent the Commission's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Subscription assets are recognized at the subscription commencement date and represent the Commission's right to use the underlying IT asset for the subscription term. Subscription assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any incentives received at or before the commencement of the term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. They are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period is 3 years.

Compensated Absences

Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government-wide financial statements and are included in long-term liabilities.

Compensated absences consist of employee earned vacation time, personal holiday time, and sick time and are accrued by the Commission when earned by the employee. Unused vacation time and personal holiday may be accumulated up to a specified maximum and are paid at the time of termination from Commission employment. Sick time accrued is for time that has been earned, is available for use, and is more likely than not to be used in the future.

Grants and Contracts Payable

The grants and contracts payable account represents amounts due to the contracted services providers implementing programs as part of the three focus areas established in the strategic plan approved by the Commission. The payable balance consists of the fiscal year's fourth quarter payments due to the service providers.

Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the First 5 Contra Costa Retiree Benefits Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the First 5 Contra Costa Children and Families Commission's Contra Costa County Employees' Retirement Association (CCCERA) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CCCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cash and Investments

The Commission maintains all of its cash in the Contra Costa Treasury. The County's investment pool operates in accordance with appropriate state laws and regulations. The method used to determine the value of the participant's equity withdrawn is based on the book value, amortized cost, plus accrued interest, multiplied by the Commission's percentage at the date of such withdrawal, which approximates fair value.

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant to other observable inputs; Level 3 inputs are significant unobservable inputs. The Commission does not have any investments that are measured using Level 3 inputs. Money market investments that have remaining maturity at the time of purchase of one-year or less and guaranteed investment contracts are measured at amortized cost.

The Commission is a participant in the Contra Costa Treasurer's Pool (County Pool). The County Pool was rated by Standard & Poor's (S&P) on September 30, 2024. The County Pool was assigned a fund credit quality rating of "AAAF" and a fund volatility rating of "S1+". The Contra Costa County Treasury Oversight Committee conducts County Pool oversight. Cash on deposit in the County Pool is stated at fair value. The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the County Pool, refer to the County of Contra Costa Annual Financial Report.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fund Balance

Fund balance is classified based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Commission has established the following classifications and definitions of fund balance for the year ended June 30, 2026:

Nonspendable – Resources that cannot be spent because they are not in an expendable form (e.g., prepaid items) or must be maintained intact (e.g. endowment principal).

Restricted – Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation.

Committed – Resources with self-imposed limitations and require both a formal action of the highest level of decision-making authority (Board of Commissioners) and the same formal action to remove or modify the limitations. The formal action for the Board of Commissioners is a vote to commit funds for a specific purpose.

Assigned – The assigned portion of fund balance reflects the Commission's intended use of resources, which can be established either by the Commission Board or the Executive Director. The "assigned" fund balance is similar to the "committed" fund balance, with the difference that Commission formal action is not necessary to assign funds or later modify or remove them. Assigned funds may include the appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year's budget or funding that has been set aside for previously executed legally enforceable contracts, such as a multi-year lease.

Unassigned – Resources that cannot be reported in any other classification.

The Commission's spending priority is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Commission reports deferred outflows related to pensions and OPEB.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period. The Commission reports deferred inflows related to pensions and OPEB.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 103 – In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the governmental financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement includes changes to the content and presentation of Management's Discussion and Analysis (MD&A), requires separate presentation of unusual or infrequent items in the financial statements, modifies certain proprietary fund reporting requirements, and updates budgetary comparison information and major component unit presentations. Management evaluated the impact of this Statement on the Commission's financial reporting and incorporated the required presentation and disclosure changes, as applicable, for the year ended June 30, 2026.

GASB Statement No. 104 – As of July 1, 2025, the Commission adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The implementation of this standard establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures and establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The effect of the implementation of this standard on capital asset categories is disclosed in Note 6.

GASB Statement No. 105 – In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. This Statement is effective for reporting periods beginning after June 15, 2026. The Commission has not determined the effect on the financial statements.

Note 2 - Cash and Investments

Cash and investments consisted of the following at June 30, 2026:

Cash in Contra Costa County Pool	\$ 15,258,526
Imprest cash	<u>500</u>
Total cash and investments	<u><u>\$ 15,259,026</u></u>

Investment Policy

The Commission adopted a resolution in February 2001 delegating investment authority to the Contra Costa County Treasurer (Treasurer) and specifying that the Commission “will continue to advise how the Children and Families Trust Funds are to be invested”. The Commission’s investment policy is to follow the County Pool’s guidelines, which limit investments to securities with maturities less than five years and require collateralization of deposits in excess of FDIC insurance. The Executive Director is authorized by the Commission’s Board approved Consolidated Financial Policies to invest in securities of varying maturity according to cash flow and long-term needs. Investments not specifically directed by the Commission to be invested separately are maintained with the Treasurer in the County investment pool (Pool). On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information on the Pool regarding the classification of investments and other deposit and investment risk disclosures can be found in the County’s Annual Comprehensive Financial Report (ACFR). The County’s financial statements may be obtained by contacting the County of Contra Costa’s Auditor-Controller’s office at 625 Court Street, Martinez, California 94553. The Contra Costa County Treasury Oversight Committee oversees the Treasurer’s investments and policies. Investments held in the Pool are available on demand and are stated at their fair value.

Interest Rate Risk

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. The County manages its exposure to declines in fair value of Pool investments by investing in securities that have a term remaining to maturity in less than five years, unless the legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by the legislative body no less than three months prior to the investment. Information about the sensitivity of the fair value of the Commission investments to market interest rate fluctuations is provided in the following table.

As of June 30, 2026, the Commission had the following investments:

Investment	Fair Value	WAM Years
County Investment Pool	<u>\$ 15,258,526</u>	<u>0.85</u>
Total investments	<u><u>\$ 15,258,526</u></u>	

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Pool was assigned a fund credit quality rating of “AAAF” and a fund volatility rating of “S1+”.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2026, the Commissions’ deposits were not exposed to custodial credit risk as all funds were held in the County Pool, which is collateralized in accordance with State law.

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. As of June 30, 2026, the Commission’s funds were invested in the Contra Costa County Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

Deposits and withdrawals are made on the basis of \$1 and not fair value, accordingly, the Commission’s proportionate share of investments in the Contra Costa County Investment Pool at June 30, 2026, of \$15,258,526 is an uncategorized input, not defined as a level 1, level 2 or level 3 input and approximates fair value. The carrying amount of deposits held with the County Pool was \$15,429,138 with the difference of \$170,612 representing outstanding checks.

Note 3 - Compensated Absences

Changes in the compensated absences liability for the fiscal year ended June 30, 2026, are summarized as follows:

	Balance June 30, 2025	Net Change	Balance June 30, 2026	Amount Due within one year
Compensated Absences	\$ 394,216	\$ (29,043)	\$ 365,173	\$ 36,517

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 4 - Due from Other Governments

The due from other governments account represents amounts due to the Commission from the California Children and Families Commission ("State Commission") for Prop 10 related revenues and other governmental agencies. The amounts due to the Commission at June 30, 2026, were as follows:

Due from State Commission	
Prop 10 revenue for	
June 2026	\$ 347,002
SMIF	37,535
California Electronic Cigarette Excise Tax	16,354
Due from Other Agencies:	
Jan-Mar 2026 HUB	\$ 9,422
Jan-Mar 2026 IMPACT	157,277
Jan-Mar 2026 Wage Enhancement	23,236
April-June 2026 Wage Enhancement	40,311
Q4-QCC QRIS Block Grant	100,149
Q4-CSPP QRIS Block Grant	158,813
Q4 2026 Measure X	231,741
Q3 & Q4 Triple P	42,289
Q3 OTS Car Seat Grant	91,149
April-June IMPACT	171,374
Total due from other governments	<u>\$ 1,426,652</u>

Note 5 - Notes Receivable

In November 2005, the Commission entered into a forgivable loan agreement with the Perinatal Council (now known as Brighter Beginnings) to acquire and renovate a property in Antioch, California to operate a First 5 Center on site. The Commission loaned to the Perinatal Council \$428,000 for a period of twenty years. The Commission agreed to forgive 25 percent of the loan on the 5th anniversary date of the issuance of the Certificate of Completion, 25 percent on the 10th anniversary, 25 percent on the 15th anniversary and 25 percent at the end of the loan term. The agreement was amended as of December 7, 2020, extending the term to December 1, 2026. The loan is secured by a Deed of Trust and recorded as a lien against the property. The loan does not bear interest unless there is a default by the Borrower, such as an unauthorized transfer of the property or change in the use of the site. The Commission does not anticipate receiving any cash payments from the borrower. The loan had an outstanding balance of \$107,000 as of June 30, 2026.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 6 - Capital Assets

Governmental Activities	July 1, 2025	Additions	Deletions	June 30, 2026
Capital assets, not being depreciated				
Land	\$ 331,538	\$ -	\$ -	\$ 331,538
Total capital assets, not being depreciated	331,538	-	-	331,538
Capital assets, being depreciated:				
Buildings and improvements	4,198,414	-	-	4,198,414
Furniture and fixtures	260,291	-	(156,543)	103,748
Lease assets:				
Office space	3,857,891	833,067	(3,768,418)	922,540
Equipment	10,165	-	-	10,165
Software	53,190	-	-	53,190
Total capital assets being depreciated and amortized	8,379,951	833,067	(3,924,961)	5,288,057
Less accumulated depreciation for:				
Buildings and improvements	(1,093,979)	(125,999)	-	(1,219,978)
Furniture and fixtures	(154,833)	(23,694)	89,016	(89,511)
Lease assets:				
Office space	(1,112,589)	(258,064)	1,219,194	(151,459)
Equipment	(5,082)	(3,388)	-	(8,470)
Software	(13,297)	(26,595)	-	(39,892)
Total accumulated depreciation and amortization	(2,379,780)	(437,740)	1,308,210	(1,509,310)
Net capital assets being depreciated and amortized	6,000,171	395,327	(2,616,751)	3,778,747
Governmental activities capital assets, net	\$ 6,331,709	\$ 395,327	\$ (2,616,751)	\$ 4,110,285

Depreciation and amortization expense for the year ended June 30, 2026, amounted to \$437,740 and is included in the child development function in the statement of activities.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 7 - Lease and SBITA Liabilities

Changes in lease and SBITA liabilities during the year ended June 30, 2026 are as follows:

Leases	July 1, 2025	Additions	Deletions	June 30, 2026	Due in One Year
Family resource centers	\$ 35,526	\$ -	\$ (16,724)	\$ 18,802	\$ 18,802
Admin office - Old	3,167,948	-	(3,167,948)	-	-
Admin office - New	-	833,067	(10,309)	822,758	108,184
Equipment	5,204	-	(3,426)	1,778	1,778
Subtotal Leases	3,208,678	833,067	(3,198,407)	843,338	128,764
Subscription IT liabilities	36,073	-	(16,932)	19,141	19,141
Total Lease and SBITA Liabilities	\$ 3,244,751	\$ 833,067	\$ (3,215,339)	\$ 862,479	\$ 147,905

In prior years, the Commission had entered into various lease agreements as lessee for the use of office space to run family resource centers. As of June 30, 2026, the lease liability was \$18,802. The Commission is required to make monthly payments ranging from \$1,510 - \$1,560 with varying escalators each year on the respective anniversary dates. This lease runs through June 30, 2027. The lease has an implied interest rate of 5.0%.

The Commission leases office space from third parties for the administration office. As of June 30, 2026, the value of the lease liability was \$822,758. The Commission is required to make monthly payments of \$16,563 as of June 30, 2026. The payments have scheduled increases of 3.0% on the anniversary date each year until May 2031. The lease has an implicit interest rate of 8.75%. During the fiscal year, the Commission terminated its lease agreement for its former administrative office location effective December 31, 2025. As a result of the termination, the related lease liability was removed from the financial statements and a gain on lease termination was recognized.

In the previous fiscal year, the Commission entered into a lease agreement for the use of a copier at the administration office. As of June 30, 2026, the lease liability was \$1,778. The Commission is required to make quarterly payments of \$905. The lease runs through February 28, 2027. The lease has an implied interest rate of 4.92%.

The Commission recognized \$261,452 in amortization expense and \$111,762 in interest expense during the fiscal year ended June 30, 2026 related to leases.

In the previous fiscal year, the Commission entered into a SBITA contract for the use of grant related software. As of June 30, 2026, the value of the subscription liability was \$19,141. The Commission is required to make annual principal and interest payments through December 2026. The subscription has an interest rate of 4.23%.

The Commission paid \$1,556 interest on the SBITA during the current year and recognized \$26,595 in amortization for the SBITA.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2026

Remaining principal and interest payments on leases are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 128,764	\$ 69,523
2028	151,005	56,629
2029	171,355	42,622
2030	193,578	26,742
2031	198,636	8,857
	<u>\$ 843,338</u>	<u>\$ 204,373</u>

Remaining principal and interest payments on SBITA are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 19,141	\$ 826
	<u>\$ 19,141</u>	<u>\$ 826</u>

Note 8 - Fund Balance

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance at June 30, 2026 consisted of the following:

	<u>General Fund</u>
Fund Balance	
Nonspendable	
Prepaid Item	\$ 65,283
Note Receivable - Brighter Beginnings	107,000
	<u>172,283</u>
Subtotal nonspendable	172,283
Committed	
Program Contractual Obligations	5,202,011
Assigned	
Elimination of FY26/27 budget deficit	2,529,121
Contingency Reserve	4,858,839
Cash Flow Reserve	1,000,000
Transition Reserve	2,265,415
	<u>2,265,415</u>
Total fund balance	<u>\$ 16,027,669</u>

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2026

Note 9 - Contingencies

The Commission is involved in various legal proceedings from time to time in the normal course of business. In management's opinion, the Commission is not involved in any legal proceeding that will have a material adverse effect on financial position or changes in financial position of the Commission.

Note 10 - Related Party Transactions

The legally required composition of the Children and Families Commission includes a County Supervisor, Directors of County agencies and representatives of agencies and constituencies concerned with children. Some of the programs funded by the Commission are operated by organizations represented by Commissioners and Alternate Commissioners. Commissioners and Alternate Commissioners must abstain from voting on issues and participating in discussions directly related to their respective organizations.

The following table shows expenditures with agencies represented by Commissioners and Alternate Commissioners for the fiscal year ended June 30, 2026:

Related Party	Fiscal Year 2025-26 Expenditures
CoCoKids Inc.	\$ 167,727
Total	<u>\$ 167,727</u>

The following table shows balances due to agencies represented by Commissioners and Alternate Commissioners:

Related Party	Balances Due June 30, 2026
CoCoKids Inc.	\$ 17,518
Total	<u>\$ 17,518</u>

The following table shows revenue with agencies represented by Commissioners and Alternate Commissioners for the fiscal year ended June 30, 2026:

Related Party	Fiscal Year 2025-26 Revenue
CoCoKids Inc.	\$ 124,458
Contra Costa County	642,711
Total	<u>\$ 767,169</u>

The Commission earned revenue totaling \$642,711 from Contra Costa County during the year ended June 30, 2026. This revenue was for Health Services, which includes Public Health and Behavioral Health Services Division/Mental Health, and for Employment and Human Services Department Measure X funding.

Note 11 - Program Evaluation

In accordance with the State of California's *Expanded Audit Guide: Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* (First 5), issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties.

For the year ended June 30, 2026, the Commission expended \$507,374 for program evaluation.

Note 12 - Defined Benefit Pension Plan**Plan Description****Plan Administration**

The Contra Costa County Employees' Retirement Association (CCCERA) was established by the County of Contra Costa in 1945. CCCERA is governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by CCCERA's Board of Retirement. CCCERA is a cost-sharing multiple employer public employee retirement association whose main function is to provide service retirement, disability, death and survivor benefits to the General and Safety members employed by the County of Contra Costa. CCCERA also provides retirement benefits to the employee members for 16 other participating agencies which are members of CCCERA, including the First 5 Contra Costa Children and Families Commission. CCCERA issues a publicly available financial report that can be obtained at www.cccera.org.

The management of CCCERA is vested with the CCCERA Board of Retirement. The Board consists of twelve trustees. Of the twelve members, three are alternates. Four trustees are appointed by the County Board of Supervisors; four trustees (including the Safety alternate) are elected by CCCERA's active members; two trustees (including one alternate) are elected by the retired membership. Board members serve three-year terms, except for the County Treasurer who is elected by the general public and serves during his tenure in office.

Benefits Provided

CCCERA provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the County of Contra Costa or participating agencies become members of CCCERA effective on the first day of the first full pay period after employment. Part-time employees in permanent positions must work at least 20 hours a week in order to become a member of CCCERA. Commission employees are classified as General Tier 1 (Enhanced). New Commission employees who become a General Member on or after January 1, 2013, are designated as PEPRA General Tier 4 and are subject to the provisions of California Government Code 7522 et seq. The plan provisions and benefit terms may be amended by the Contra Costa County Board of Retirement.

General members hired prior to January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 70 regardless of service or at age 52 and have acquired five years of retirement service credit.

The retirement benefits the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier. General Tier 1 benefits are calculated pursuant to the provisions of Sections §31676.16. The monthly allowance is equal to 1/50th of final compensation multiplied by years of accrued retirement service credit multiplied by the age factor from §31676.16. General members with membership dates on or after January 1, 2013 (PEPRA General Tier 4) are calculated pursuant to the provisions found in California Government Code Section §7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section §7522.20(a).

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100 percent of final compensation. There is no final compensation limit on the maximum retirement benefit for members with membership dates on or after January 1, 2013.

Final average compensation consists of the highest 12 consecutive months for General Tier 1, and the highest 36 consecutive months for PEPRA General Tier 4.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60 percent continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date or at least two years prior to the date of death and has attained age 55 on or prior to the date of death. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

CCCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-San Jose Area, is capped at 3.0 percent for General Tier 1 and PEPRA General Tier 4. The plan also provides a post-retirement lump sum death benefit of \$5,000 to the member's beneficiary (§31789.5) paid from the Post Retirement Death Benefit Reserve.

The County of Contra Costa and participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from CCCERA's actuary after the completion of the annual actuarial valuation. Members are required to make contributions to CCCERA regardless of the retirement plan or tier in which they are included.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2026

The Plan's provisions and benefits in effect at June 30, 2026 are summarized as follows:

	General	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Formula	2.0% @ 55	2.5% @ 67
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	70 (1)	70 (2)
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.24% - 16.32%	11.18% - 12.51%
Required employer contribution rates	26.00%	20.03%

(1) Or 50 with ten years of service credit

(2) Or 52 with five years of service credit

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by Contra Costa County Employees' Retirement Association. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2026, contributions to the plan were as follows:

	General
Contributions - employer	\$ 100,000

Plan's Collective Net Pension Liability

As of June 30, 2026, the Commission reported a liability of \$692,360 for its proportionate share of the Plan's collective net pension liability.

The Commission's net pension liability for the Plan is measured as the proportionate share of the total net pension liability. The net pension liability of the Plan is measured as of December 31, 2025, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024. The Commission's proportion of the net pension liability is based on the Commission's actual 2025 compensation relative to the actual compensation of all participating employers. The Commission's proportionate share of the net pension liability, measured at December 31, 2024 and 2025 was as follows:

	General
Proportion - December 31, 2024	0.149%
Proportion - December 31, 2025	0.130%
Change in Proportion	-0.019%

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2026

For the year ended June 30, 2026, the Commission recognized pension expense of \$601,268. At June 30, 2026, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between the Commission's contributions and proportionate share of contributions	\$ 65,326	\$ 72,554
Changes in assumptions or other inputs	-	34,502
Net difference between projected and actual earnings on plan investments	-	495,170
Difference between expected and actual experience	234,450	-
Total	<u>\$ 299,776</u>	<u>\$ 602,226</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2027	\$ 326,078
2028	(239,599)
2029	(216,191)
2030	(172,738)
Total	<u>\$ (302,450)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2024
Measurement Date	December 31, 2025
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	6.75%
Inflation	2.50%
Payroll Growth	3.00% (1)
Projected Salary Increase	3.55% - 12.00%
Investment Rate of Return	6.75% (2)
	Pub-2010 General Healthy Retiree
	Amount-Weighted Above-Median Mortality Table (3)
Mortality	

(1) Inflation of 2.50% per year plus "across the board" real salary increases of 0.5% per year

(2) Net of pension plan investment expense, including inflation

(3) Projected 30 years generationally with the two-dimensional MP-2021 projection scale

The underlying mortality assumptions and all other actuarial assumptions used in the December 31, 2024, valuation was based on the results of an experience study for the period January 1, 2021 through December 31, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Commission's contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2024.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target	Long-Term
Large Cap U.S. Equity	9.00%	5.59%
Small Cap Equity	2.00%	6.45%
International Developed Equity	5.00%	6.23%
Global Equity	10.00%	6.35%
Emerging Markets Equity	2.00%	7.89%
Short-Term Govt/Credit	14.00%	1.84%
US Treasury	3.50%	1.80%
Cash	3.00%	0.98%
Private Equity	15.00%	9.31%
Private Credit	13.00%	6.47%
Infrastructure	3.00%	7.20%
Real Estate - Debt	3.00%	5.00%
Real Estate - Value Add	3.00%	7.90%
Real Estate - Opportunistic	4.00%	9.70%
Hedge Funds	6.50%	3.50%
Multi-Sector Credit	4.00%	4.50%
Total	100%	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount Rate	5.75%	6.75%	7.75%
Commission's Net Pension Liability	\$ 3,655,394	\$ 692,360	\$ (1,735,266)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CCCERA financial reports.

Note 13 - Other Postemployment Healthcare Benefits**General Information About the OPEB Plan****Plan Description**

The Commission's defined benefit OPEB plan provides benefits for employees hired prior to January 1, 2007 and who retire directly from the Commission on or after age 50 with at least 10 years of service. Part-time employees receive pro-rated service. The Commission's OPEB plan is an agent multiple employer defined benefit OPEB plan administered by California Employees Retirement Benefit Trust (CERBT). CERBT issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided

Eligible retirees and their dependents are offered a choice of medical and dental plans through the Contra Costa County Employee Benefits Health Plan. The Commission provides a contribution towards the cost of medical and dental coverage. These contributions are fixed based on the employer subsidies in place in 2011 which varies based on the plan and family coverage category elected by the retiree. The plan provisions and provision terms may be amended by the Commission's Board of Commissioners.

Employees Covered by Benefit Terms

At June 30, 2026, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	23
Total	<u>32</u>

Contributions

Generally, contribution requirements of the Commission are established and may be amended by the Board of Commissioners. The Plan and its contribution requirements are established by the Board of Supervisors of Contra Costa County. The annual contribution is based on the actuarially determined contribution. Employees are not required to contribute to the plan. For the year ended June 30, 2026, the Commission made no cash contributions directly to the plan and recognized \$54,223 in implicit contributions.

Net OPEB Liability

The Commission's net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2025.

Actuarial Assumptions

The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3%, average including inflation
Investment Rate of Return	6.10% percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	8.5% for 2026 decreasing 0.25% per year to an ultimate rate of 4.5% for 2041 and later years

Mortality rates were based on the Society of Actuaries Pub-2010 General Healthy Retiree Amount- Weighted Above-Median Mortality Table fully generational using Scale MP-2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target
Global Equity	34.00%
Fixed Income	41.00%
REITS	17.00%
Commodities	3.00%
Inflation Assets	5.00%
Total	100.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.10 percent. The projection of cash flows used to determine the discount rate assumed that the Commission contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2024 measurement date	\$ 1,380,499	\$ 1,024,690	\$ 355,809
Changes in the year			
Service cost	24,363	-	24,363
Interest on the total OPEB liability	84,067	-	84,067
Differences between Expected and Actual Experience	(400,234)	-	(400,234)
Changes of Assumptions	7,279	-	7,279
Contribution - employer	-	54,223	(54,223)
Net investment income	-	108,891	(108,891)
Benefit payments, including refunds of employee contributions	(54,223)	(54,223)	-
Administrative expense	-	(321)	321
Net changes	(338,748)	108,570	(447,318)
Balance at June 30, 2025 measurement date	<u>\$ 1,041,751</u>	<u>\$ 1,133,260</u>	<u>\$ (91,509)</u>

Change in assumption

Changes in assumption include updating the Health Care Trend Rates from 8.00% as of June 30, 2024 to 8.50% as of June 30, 2025.

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2026

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Health-Care Cost Trend Rates

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.1 percent) or 1-percentage-point higher (6.1 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount rate	5.10%	6.10%	7.10%
Commission's net OPEB liability (asset)	\$10,485	(\$91,509)	(\$180,686)

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Healthcare cost trend rates	7.50% decreasing to 3.50%	8.50% decreasing to 4.50%	9.50% decreasing to 5.50%
Commission's net OPEB liability (asset)	(\$141,038)	(\$91,509)	(\$33,797)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT report.

For the year ended June 30, 2026, the Commission recognized OPEB expense of \$5,308. At June 30, 2026, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Commission contributions subsequent to measurement date	\$ 52,366	\$ -
Net difference between projected and actual earnings on plan investments	-	(2,626)
Difference between expected and actual experience	185,240	(358,366)
Changes of assumptions	53,845	(102,170)
Total	<u>\$ 291,451</u>	<u>\$ (463,162)</u>

First 5 Contra Costa Children and Families Commission

Notes to Financial Statements

June 30, 2026

The \$52,366 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	
2027	\$ 16,004
2028	(28,359)
2029	(32,527)
2030	(37,269)
2031	(64,582)
Thereafter	<u>(77,344)</u>
Total	<u><u>\$ (224,077)</u></u>

Note 14 - Risk Management

The Commission is exposed to various risks of loss related to the loss of, damage to and destruction of assets caused by accidents, forces of nature, and the requirements of the California Labor Code.

The Commission mitigates its exposure to loss through multiple risk treatment mechanisms. The Commission participates in the County of Contra Costa's self-insurance program for public and automobile liability, and property losses, where excess insurance has been purchased through California State Association of Counties Excess Insurance Authority (CSAC-EIA), a joint powers authority. The Commission participates in a joint power authority, separate from the County's, effected through CSAC-EIA for its workers' compensation exposure. Crime insurance is covered through the purchase of commercial insurance.

During the year ending June 30, 2026, the Commission had no settlements exceeding insurance coverage for these categories of risk. For the past three years, settlements or judgment amounts have not exceeded insurance provided for the Commission.

Required Supplementary Information
For the Year Ended June 30, 2026

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa, California)

First 5 Contra Costa Children and Families Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund
For the Year Ended June 30, 2026

	Budgeted amounts		Variance with		Variance with
	Original	Final	Original budget - over (under) Final Budget	Actual Amounts	Final Budget - over (under) Actual Amounts
Revenues					
Prop 10 Tobacco Tax	\$ 4,290,525	\$ 4,290,525	\$ -	\$ 4,116,542	\$ (173,983)
CA Electronic Cigarette Excise Tax	97,836	97,836	-	65,314	(32,522)
Prop 56	1,925,267	1,925,267	-	1,534,143	(391,124)
SMIF	40,000	40,000	-	37,535	(2,465)
First 5 California IMPACT	628,892	589,970	(38,922)	570,773	(19,197)
Measure X	-	493,214	493,214	466,468	(26,746)
CSPP-COE/Preschool QRIS Block Grant	251,119	577,211	326,092	677,360	100,149
QCC-Quality Counts California	205,870	300,000	94,130	199,851	(100,149)
CYBHI Children & Youth Behavioral					
Health Initiative	43,416	43,416	-	40,000	(3,416)
Other public funds	290,460	766,405	475,945	361,953	(404,452)
Other grants	230,100	366,661	136,561	549,955	183,294
Rental income	28,294	28,294	-	49,060	20,766
Interest income	400,000	400,000	-	556,555	156,555
Unrealized loss	-	-	-	(19,814)	(19,814)
Other revenue	-	-	-	104,912	104,912
Total revenues	8,431,779	9,918,799	-	9,310,607	(608,192)
Expenditures					
Current					
Program expenditures					
Early care and education	658,888	1,593,816	934,928	1,024,700	(569,116)
Family support	3,718,396	3,834,177	115,781	3,217,241	(616,936)
Early intervention	778,992	784,597	5,605	639,927	(144,670)
Policy Advocacy & Communication					
Strategies	246,299	246,299	-	113,563	(132,736)
Salaries and employee benefits	3,307,234	3,463,450	156,216	3,229,702	(233,748)
Other program expenditures	604,619	604,619	-	267,822	(336,797)
Evaluation					
Salaries and employee benefits	531,831	550,945	19,114	422,128	(128,817)
Other evaluation expenditures	269,340	269,340	-	85,246	(184,094)
Administrative					
Salaries and employee benefits	1,180,292	1,180,292	-	729,364	(450,928)
Other administrative expenditures	656,866	912,242	255,376	266,442	(645,800)
Debt Service					
Principal	-	-	-	182,590	182,590
Interest	-	-	-	111,762	111,762
Total expenditures	11,952,757	13,439,777	1,487,020	10,290,487	(3,149,290)
Excess (deficiency) of revenues over (under) expenditures	(3,520,978)	(3,520,978)	-	(979,880)	2,541,098
Other financing sources (uses)					
Sale of capital assets	-	-	-	67,528	67,528
Net Change in Fund Balance	(3,520,978)	(3,520,978)	-	(912,352)	2,608,626
Fund Balance, Beginning of Year	16,940,021	16,940,021	-	16,940,021	-
Fund Balance, End of Year	\$ 13,419,043	\$ 13,419,043	\$ -	\$ 16,027,669	\$ 2,608,626

First 5 Contra Costa Children and Families Commission

Notes to Budgetary Comparison Schedules

June 30, 2026

	<u>Over/(Under)</u>
Budgetary Revenues	
Differences: original budget to final budget	
The original budget was adopted in March 2025, well before the Commission knew about grant awards. Once awarded, the new revenue was added into external funds as mid-year amendments.	\$ 1,487,020
Differences: final budget to actual	
Prop 10 Tobacco Tax and Prop 56 Backfill are based on State revenue projections which came up short, \$174,000 and \$391,000 respectively. Also, some grants were multi-year grants with the bulk of the work happening in a coming fiscal year.	(608,192)
Budgetary Expenditures	
Differences: original budget to final budget	
The original budget was adopted in March 2025, well before the Commission knew about grant awards. Once awarded, the new revenue was appropriated to external funds as mid-year amendments to spend.	1,487,020
Differences: final budget to actual	
The \$1,487,020 added at mid-year meant that this amount of funding was no longer needed from fund balance to close the budget deficit, but it was never reduced. In Early Care & Education, some grants are multi-year grants that include significant spending next fiscal year. In Family Support, two First 5 Center operators underspent their contracted amounts because of staffing shortages they were not able to fill. Employee salary and benefits was underspent due to vacancies that were never filled. Program, Evaluation, and Administrative expenditures for "other" were underspent because of the termination of the old administrative office lease and because of a five-month rent holiday in the new space.	(3,149,290)

First 5 Contra Costa Children and Families Commission
 Contra Costa County Employees' Retirement Association –
 Schedule of the Commission's Proportionate Share of the Net Pension Liability/(Asset)
 Last 10 Years as of June

Fiscal year ended June 30,	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Proportion of the net pension liability	0.173%	0.159%	0.202%	0.171%	0.106%	0.314%	0.185%	0.182%	0.149%	0.130%
Proportionate share of the net pension liability (asset)	\$ 2,423,899	\$ 1,289,083	\$ 2,881,759	\$ 1,480,016	\$ 487,008	\$ (763,759)	\$ 3,135,224	\$ 2,907,786	\$ 1,923,632	\$ 692,360
Covered payroll	\$ 2,140,380	\$ 2,405,397	\$ 2,525,004	\$ 2,511,538	\$ 2,398,684	\$ 2,846,338	\$ 2,718,488	\$ 2,870,849	\$ 2,636,199	\$ 2,838,155
Proportionate share of the net pension liability/(asset) as a percentage of covered payroll	113.25%	53.59%	114.13%	58.93%	20.30%	-26.83%	115.33%	101.29%	72.97%	24.39%
Plan fiduciary net position as a percentage of the total pension liability	84.16%	91.18%	85.09%	91.46%	95.62%	102.17%	85.55%	87.14%	91.01%	96.87%
Measurement date	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024	December 31, 2025

First 5 Contra Costa Children and Families Commission
 Contra Costa County Employees' Retirement Association –
 Schedule of Pension Contributions
 Last 10 Years as of June

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Actuarially determined contributions	\$ 636,711	\$ 660,452	\$ 659,815	\$ 615,504	\$ 703,170	\$ 858,000	\$ 858,000	\$ 1,000,000	\$ 590,642	\$ 100,000
Contributions in relation to the actuarially determined contribution	636,711	660,452	659,815	615,504	703,170	858,000	858,000	1,000,000	590,642	100,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,204,354	\$ 2,488,297	\$ 2,747,667	\$ 2,607,465	\$ 2,930,043	\$ 2,808,304	\$ 2,824,663	\$ 2,870,849	\$ 2,907,786	\$ 1,923,632
Contributions as a percentage of covered payroll	28.88%	26.54%	24.01%	23.61%	24.00%	30.55%	30.38%	34.83%	20.31%	5.20%

Notes to Schedule

Valuation date: 12/31/2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll (3% payroll growth assumed)
Remaining amortization period	Fixed 18-year period
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary Increase	3.55%- to 12.00%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Retirement age	General members hired prior to January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 70 regardless of service or at age 52 and have acquired five years of retirement service credit.

Mortality Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality Table

First 5 Contra Costa Children and Families Commission
Schedule of Changes in the Commission's Net OPEB Liability/(Asset) and Related Ratios
Last 10 Years as of June

	Fiscal Year ended June 30, Measurement year ended June 30,	2018 2017	2019 2018	2020 2019	2021 2020
Total OPEB Liability					
Service cost		\$ 32,608	\$ 34,728	\$ 35,770	\$ 33,804
Interest on the total OPEB liability		64,455	68,828	73,368	64,114
Changes in assumptions**		-	-	(52,714)	-
Differences between expected and actual experience		-	-	(158,097)	(4,415)
Benefit payments, including refunds of employee contributions		(27,243)	(36,565)	(32,954)	(45,214)
Net change in total OPEB liability		69,820	66,991	(134,627)	48,289
Total OPEB liability - beginning		972,633	1,042,453	1,109,444	974,817
Total OPEB liability - ending (a)		<u>\$ 1,042,453</u>	<u>\$ 1,109,444</u>	<u>\$ 974,817</u>	<u>\$ 1,023,106</u>
Plan fiduciary net position					
Contributions - employer		\$ 52,344	\$ 45,720	\$ 67,165	\$ 85,093
Net investment income		50,176	47,514	57,293	49,736
Administrative expenses		(367)	(403)	(177)	(454)
Other expense		-	(1,021)	-	-
Benefit payments		(27,243)	(36,565)	(32,954)	(45,214)
Net change in plan fiduciary net position		74,910	55,245	91,327	89,161
Plan fiduciary net position - beginning		696,541	771,451	826,696	918,023
Plan fiduciary net position - ending (b)		<u>771,451</u>	<u>826,696</u>	<u>918,023</u>	<u>1,007,184</u>
Net OPEB liability - ending (a)-(b)		<u>\$ 271,002</u>	<u>\$ 282,748</u>	<u>\$ 56,794</u>	<u>\$ 15,922</u>
Plan fiduciary net position as a percentage of the total OPEB liability		74.00%	74.51%	94.17%	98.44%
Covered-employee payroll		\$ 1,085,000	\$ 1,085,000	\$ 827,457	\$ 852,281
Net OPEB liability as percentage of covered-employee payroll		24.98%	26.06%	6.86%	1.87%

*Fiscal year 2018 was the first year of implementation; therefore, only nine years are shown.

** Change of assumptions: For the measurement period ended June 30, 2025, the healthcare cost trend rates were updated as compared to the measurement period ended June 30, 2024. For the measurement period ended June 30, 2024, the long-term rate of return and discount rate were adjusted to 6.10% from 5.50% as of June 30, 2023. For measurement period ended June 30, 2023, the healthcare cost trend rates were updated as compared to the measurement period ended June 30, 2022. For measurement period ended June 30, 2022, the long-term rate of return and discount rate were adjusted to 5.50% from 6.50% as of June 30, 2021. For measurement period ended June 30, 2021, the healthcare cost trend rates were updated as compared to the measurement period ended June 30, 2020.

First 5 Contra Costa Children and Families Commission
Schedule of Changes in the Commission's Net OPEB Liability/(Asset)
Last 10 Years as of June*

<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 34,537	\$ 24,873	\$ 30,152	\$ 26,340	\$ 24,363
66,983	69,444	64,493	78,892	84,067
(131,848)	102,837	6,121	(85,997)	7,279
138,209	(29,914)	250,017	3,847	(400,234)
(55,152)	(65,715)	(70,783)	(99,943)	(54,223)
52,729	101,525	280,000	(76,861)	(338,748)
<u>1,023,106</u>	<u>1,075,835</u>	<u>1,177,360</u>	<u>1,457,360</u>	<u>1,380,499</u>
<u>\$ 1,075,835</u>	<u>\$ 1,177,360</u>	<u>\$ 1,457,360</u>	<u>\$ 1,380,499</u>	<u>\$ 1,041,751</u>
\$ 31,916	\$ 26,161	\$ 32,841	\$ 49,670	\$ 54,223
198,872	(148,102)	37,383	81,634	108,891
(368)	(300)	(287)	(321)	(321)
-	-	-	-	-
(55,152)	(65,715)	(70,783)	(99,943)	(54,223)
175,268	(187,956)	(846)	31,040	108,570
<u>1,007,184</u>	<u>1,182,452</u>	<u>994,496</u>	<u>993,650</u>	<u>1,024,690</u>
<u>1,182,452</u>	<u>994,496</u>	<u>993,650</u>	<u>1,024,690</u>	<u>1,133,260</u>
<u>\$ (106,617)</u>	<u>\$ 182,864</u>	<u>\$ 463,710</u>	<u>\$ 355,809</u>	<u>\$ (91,509)</u>
109.91%	84.47%	68.18%	74.23%	108.78%
\$ 877,849	\$ 732,387	\$ 678,210	\$ 518,671	\$ 534,231
-12.15%	24.97%	68.37%	68.60%	-17.13%

First 5 Contra Costa Children and Families Commission
Schedule of the Commission's OPEB Contributions
Last 10 Years as of June*

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Actuarially determined contributions	\$ 30,875	\$ 35,444	\$ 76,640	\$ 31,916	\$ 12,263	\$ 13,418	\$ 60,128	\$ 97,827	\$ 98,686
Contributions in relation to the actuarially determined contribution	30,875	35,444	76,640	31,916	26,161	32,841	49,670	11,531	52,366
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (13,898)	\$ (19,423)	\$ 10,458	\$ 86,296	\$ 46,320
Covered-employee payroll	\$ 1,085,000	\$ 827,457	\$ 852,281	\$ 877,849	\$ 732,387	\$ 678,210	\$ 518,671	\$ 534,231	\$ 550,258
Contributions as a percentage of covered-employee payroll	2.85%	4.28%	8.99%	3.64%	3.57%	4.84%	9.58%	2.16%	9.52%

*Fiscal year 2018 was the first year of implementation; therefore, only nine years are shown.

Notes to Schedule

Valuation date: 6/30/2025

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll (3% payroll growth assumed)
Remaining amortization period	Fixed 18-year period
Asset valuation method	Fair value of assets
Inflation	3.00%
Salary Increase	3%, average including inflation
Investment Rate of Return	6.10%, net of OPEB plan investment expense, including inflation
Retirement age	Employees hired prior to January 1, 2007 and who retire directly from the Commission on or after age 50 with at least 10 years of service.
Mortality	Mortality rates were based on the Society of Actuaries Pub-2010 General Healthy Retiree Amount- Weighted Above-Median Mortality Table fully generational using Scale MP-2021.

Note 1 - Budget

The Commission prepares and legally adopts a final budget on or before June 30th of each fiscal year. The Commission operations, commencing July 1st, are governed by the proposed budget, adopted by the Commission by June of the prior fiscal year.

An operating budget is adopted each fiscal year in accordance with generally accepted accounting principles based on estimates of revenues and anticipated expenditures. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unpaid contracts in process at year-end are fully performed by year-end or purchase commitments satisfied. Unencumbered appropriations lapse at year-end and encumbrance balances that will not be honored are liquidated.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the total fund level. The Commission does not establish a budget for debt service, capital outlay or other financing sources and uses.

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Supplementary Information

For the Year Ended June 30, 2026

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa, California)

First 5 Contra Costa Children and Families Commission
Schedule of Expenses by Fund Source and Net Position of CCFC Funds for First 5 Programs and Activities
For the Year Ended June 30, 2026

Program	Source	Revenue CCFC Funds	Expenses	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
IMPACT	CCFC Program Funds*	\$ 587,127	\$ 587,127	\$ -	\$ -	\$ -
	Total	<u>\$ 587,127</u>	<u>\$ 587,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* \$9,422 HUB funding received from First 5 San Benito is *not included* in IMPACT.

Compliance Reports

For the Year Ended June 30, 2026

First 5 Contra Costa Children and Families Commission

(a Component Unit of the County of Contra Costa, California)

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

To the Board of Commissioners
First 5 Contra Costa Children and Families Commission
Concord, California

We have audited, 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, the financial statements of the governmental activities and the general fund of the First 5 Contra Costa Children and Families Commission (Commission), a component unit of the County of Contra Costa, California (County), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 12, 2026.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ontario, California
October 12, 2026



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

To the Board of Commissioners
First 5 Contra Costa Children and Families Commission
Concord, California

Report on Compliance

Opinion on State Compliance

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

In our opinion, the First 5 Contra Costa Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2026.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Ontario, California
October 12, 2026