



# Audit Committee Meeting

June 1, 2022 at 12:00 p.m.

Fresno EOC Board Room

1920 Mariposa Street, Suite 310

Fresno, CA, 93721



## AUDIT COMMITTEE MEETING AGENDA

JUNE 1, 2022 AT 12:00 PM

### 1. CALL TO ORDER

### 2. ROLL CALL

### 3. APPROVAL OF FEBRUARY 17, 2022 MINUTES

|  |         |   |
|--|---------|---|
| A. February 17, 2022 Audit Committee Meeting Minutes | Approve | 3 |
|--|---------|---|

### 4. AUDITED FINANCIAL STATEMENTS

Accept

|   |   |
|---|---|
| A. State Child Care Program 2020-2021 Audit | 5 |
|---|---|

|                               |    |
|-------------------------------|----|
| B. Urban CTSA 2020-2021 Audit | 42 |
|-------------------------------|----|

|                               |    |
|-------------------------------|----|
| C. Rural CTSA 2020-2021 Audit | 63 |
|-------------------------------|----|

|                                   |    |
|-----------------------------------|----|
| D. 401(a) Pension Plan 2020 Audit | 85 |
|-----------------------------------|----|

|                                      |    |
|--------------------------------------|----|
| E. 403(b) Retirement Plan 2020 Audit | 99 |
|--------------------------------------|----|

### 5. OTHER BUSINESS

Next meeting: Wednesday November 2, 2022 at 12:00 p.m.

### 6. PUBLIC COMMENTS

(This portion of the meeting is reserved for persons wishing to address the Committee on items within jurisdiction but not on the agenda. Comments are limited to three minutes).

### 7. ADJOURNMENT



AUDIT COMMITTEE MEETING  
Zoom Meeting  
February 17, 2022  
12:00 PM

MINUTES

1. **CALL TO ORDER**

Daniel Martinez, Audit Committee Chair, called the meeting to order at 12:11 P.M.

2. **ROLL CALL**

**Present:** Daniel Martinez, LeRoy Candler, Ed Avila, Linda Hayes, Rey Leon

**Absent:** Brian King

3. **APPROVAL OF MARCH 16, 2021 MINUTES**

Public Comment: None heard.

**Motion by:** LeRoy Candler     **Second by:** Daniel Martinez

**Ayes:** Daniel Martinez, LeRoy Candler, Ed Avila

**Abstain:** Linda Hayes

**Nayes:** None heard

4. **APPROVAL OF FINANCIAL AUDIT REPORTS**

A. Agency Financial Statements – December 2020

Brian Henderson, CPA of Hudson Henderson & Co, Inc., presented the final draft of the Agency's consolidated audit for the year ended December 31, 2020.

Henderson presented the *Independent Auditors' Report*, which provides an opinion that the consolidated financial statements present fairly, in all material respects, the financial position of the Agency and the changes in its net assets and cash flows.

Henderson presented the *Independent Auditors' Report on Internal Control Over Financial and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* and the *Independent Auditors' Report on Compliance for Each Major Program and on the Internal Control Over Compliance Required by the Uniform Guidance*, both are required reports in the audit. Henderson also presented that in all material respects, the Agency was in compliance with the federal audit guidelines.

Henderson also presented that there was one material weakness. Internal control did not prevent or detect adjustments in the process prior to the audit, in which material audit adjustment was needed. A corrective action plan was provided by Management in response to this material weakness and included in the single audit package.

On the *Consolidated Statement of Financial Position*, total assets equaled \$59,493,135, total liabilities equaled \$30,384,303, and net assets equaled \$29,108,832. On the *Consolidated Statement of Activities*, total revenues equaled \$122,771,944, total expenses equaled \$121,703,056, resulting in excess revenues over expenses of \$1,068,888.

Henderson presented that in the past, the CalRecycle report was issued separately but is now included in the Single Audit. Henderson also presented the *Summary of Prior Year Findings*, which states the federal award finding for the single audit year ended December 31, 2019. Henderson presented that the corrective action plan for the prior year finding has been implemented for the current year; therefore, that finding has been removed.

Hayes expressed to the CFO to give an update at the next Board meeting about the transition of new external auditors to clarify the delay of the Single Audit.

**B. 2020/2021 School of Unlimited Learning Financial Statements**

Kip Hudson, CPA of Hudson Henderson & Co, Inc., presented the final draft of the School of Unlimited Learning's 2020-21 audit which is a requirement of the California Department of Education and the Fresno Unified School District.

Hudson presented that an unmodified opinion was issued for the School of Unlimited Learning's 2020-21 audit and the financial statements were neutral, consistent, and clear.

Hudson stated that there were two material adjusting journal entry: one was to increase the accounts receivable balance by \$478,226 and the other entry was to adjust the accrued payroll and vacation by \$39,541.

Hudson presented that there was one financial statement finding from lack of proper closing procedures and adequate review processes to ensure all account balances and transactions were properly recorded and reconciled at year-end.

On the *Statement of Financial Position*, total assets equaled \$1,907,412, total liabilities equaled \$295,025, and net assets equaled \$1,612,387. On the *Statement of Activities*, total revenues equaled \$2,987,063 and total expenses equaled \$2,565,657 resulting in excess revenues over expenses of \$421,406. Hudson stated that a required statement, *Statement of Functional Expenses*, was added this year, which should have been implemented three years ago.

Hayes commended external auditors on their great work with the audits and information.

**Motion by:** Linda Hayes      **Second by:** LeRoy Candler

**Ayes:** Daniel Martinez, Ed Avila, LeRoy Candler, Linda Hayes, Rey Leon

**Nayes:** None heard

Public Comment: None heard.

**5. PUBLIC COMMENTS**

Public Comment: None heard.

No action required.

**6. ADJOURNMENT**

Martinez adjourned the meeting at 12:40 P.M.

Respectfully submitted,

Daniel Martinez, Chair





## AUDIT COMMITTEE MEETING

|  |                                |
|--|--------------------------------|
| <b>Date:</b> June 1, 2022                  | <b>Program:</b> Internal Audit |
| <b>Agenda Item #:</b> 4                    | <b>Director:</b> Susan Shiomi  |
| <b>Subject:</b> Audit Financial Statements | <b>Officer:</b> Jim Rodriguez  |

### Recommended Action

Staff recommends Committee acceptance for full Board consideration of the Fresno EOC program-specific audits as prepared by Kaku & Mersino, LLP.

### Background

Attached are four Fresno EOC program-specific audits as required by the funder for review. Peter Mersino, CPA, of Kaku & Mersino, LLP will present the audits and respond to questions.

- A. State Child Care Program 2020-2021 Audit
- B. Urban CTSA 2020-2021 Audit
- C. Rural CTSA 2020-2021 Audit
- D. 401(a) Pension Plan 2020 Audit
- E. 403(b) Retirement Plan 2020 Audit

### Fiscal Impact

Program audits are a funding requirement. Failure to complete the program audits would result in non-compliance and jeopardize program funding.

### Conclusion

If accepted by the Committee, this item will move forward for full Board consideration at the August 24, 2022 Board Meeting.

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION**

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**ANNUAL FINANCIAL REPORT**

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

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of  
Fresno Economic Opportunities Commission

### Report on the Financial Statements

We have audited the accompanying financial statements of the Fresno Economic Opportunities Commission's State Child Care Programs (the Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Fresno Economic Opportunities Commission's State Child Care Programs' financial statements and do not present fairly the financial position of the Fresno Economic Opportunities Commission as a whole as of June 30, 2021, the changes in financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's financial statements. The supplementary information included in pages 12 through 26 is presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, which are in conformity with the CDE Audit Guide issued by the California Department of Education, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2022, on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California  
March 23, 2022

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021**

**ASSETS**

|                             |                          |
|-----------------------------|--------------------------|
| Current assets              |                          |
| Cash and cash equivalents   | \$ 161,133               |
| Interfund receivable        | <u>221,392</u>           |
| Total current assets        | <u>382,525</u>           |
| Noncurrent assets           |                          |
| Property and equipment, net | <u>-</u>                 |
| Total noncurrent assets     | <u>-</u>                 |
| Total Assets                | <u><u>\$ 382,525</u></u> |

**LIABILITIES AND NET ASSETS (DEFICIT)**

|  |                          |
|--|--------------------------|
| Liabilities                                |                          |
| Current liabilities                        |                          |
| Due to California Department of Education  | \$ 164,014               |
| Accrued compensation and benefits          | 35,522                   |
| Deferred revenue                           | 54,000                   |
| Child care reserve fund                    | <u>161,133</u>           |
| Total current liabilities                  | <u>414,669</u>           |
| Total liabilities                          | <u>414,669</u>           |
| Net Assets (Deficit)                       |                          |
| Net assets with donor restrictions         | -                        |
| Net assets without donor restrictions      | <u>(32,144)</u>          |
| Total net assets (deficit)                 | <u>(32,144)</u>          |
| Total Liabilities and Net Assets (Deficit) | <u><u>\$ 382,525</u></u> |

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

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>       |
|--|---------------------------------------|------------------------------------|--------------------|
| <b>REVENUES AND SUPPORT</b>                          |                                       |                                    |                    |
| Child development funding                            | \$ 1,044,890                          | \$ -                               | \$ 1,044,890       |
| Child care food program                              | 14,729                                | -                                  | 14,729             |
| Miscellaneous income                                 | 60                                    | -                                  | 60                 |
| CSBG funding   | 34,123                                | -                                  | 34,123             |
|  | <u>1,093,802</u>                      | <u>-</u>                           | <u>1,093,802</u>   |
| Total Revenues and Support                           |                                       |                                    |                    |
| <b>EXPENSES</b>                                      |                                       |                                    |                    |
| Program services                                     | 1,044,203                             | -                                  | 1,044,203          |
| General and administrative                           | 80,299                                | -                                  | 80,299             |
|  | <u>1,124,502</u>                      | <u>-</u>                           | <u>1,124,502</u>   |
| Total Expenses                                       |                                       |                                    |                    |
| Change in Net Assets                                 | <u>(30,700)</u>                       | <u>-</u>                           | <u>(30,700)</u>    |
| Net Assets at Beginning of Year                      | 6,582                                 | -                                  | 6,582              |
| Prior Period Adjustment                              | <u>(8,026)</u>                        | <u>-</u>                           | <u>(8,026)</u>     |
| Net Assets (Deficit) at Beginning of Year (Restated) | <u>(1,444)</u>                        | <u>-</u>                           | <u>(1,444)</u>     |
| Net Assets (Deficit) at End of Year                  | <u>\$ (32,144)</u>                    | <u>\$ -</u>                        | <u>\$ (32,144)</u> |

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

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**

|                          | <u>Program<br/>Services</u> | <u>General and<br/>Administrative</u> | <u>Total<br/>Expenses</u> |
|--------------------------|-----------------------------|---------------------------------------|---------------------------|
| Expenses:                |                             |                                       |                           |
| Salaries                 | \$ 618,626                  | \$ -                                  | \$ 618,626                |
| Employee benefits        | 278,774                     | -                                     | 278,774                   |
| Book and supplies        | 22,062                      | -                                     | 22,062                    |
| Other operating expenses | 124,659                     | -                                     | 124,659                   |
| Depreciation             | 82                          | -                                     | 82                        |
| Administrative expense   | -                           | 80,299                                | 80,299                    |
| Total expenses           | <u>\$ 1,044,203</u>         | <u>\$ 80,299</u>                      | <u>\$ 1,124,502</u>       |

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



**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

|  |                          |
|--|--------------------------|
| <b>Cash Flows from Operating Activities</b>  |                          |
| Change in net assets   | \$ (30,700)              |
| Adjustment to reconcile changes in net assets to net cash provided (used) by operating activities: |                          |
| Depreciation expense   | 82                       |
| Changes in operating assets and liabilities:   |                          |
| Child care food program receivable   | 5,024                    |
| Parent fees receivable   | 135                      |
| Child development receivable   | 2,763                    |
| Interfund receivable   | (221,392)                |
| Due to California Department of Education  | 164,014                  |
| Accrued compensation and benefits  | 27,496                   |
| Deferred revenue   | 54,000                   |
| Child care reserve fund  | <u>(88,861)</u>          |
| Net cash provided (used) by operating activities   | <u>(87,439)</u>          |
| Increase (decrease) in cash and cash equivalents   | (87,439)                 |
| <b>Cash and Cash Equivalents, Beginning of Year</b>  | <u>248,572</u>           |
| <b>Cash and Cash Equivalents, End of Year</b>  | <u><u>\$ 161,133</u></u> |

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

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ACTIVITIES**

Organization: The Fresno Economic Opportunities Commission (the FEOC) is a non-profit corporation incorporated in the State of California in 1965. The FEOC is a local community human services agency that provides assistance to economically and socially disadvantaged persons primarily in the Fresno County region through various types of health and welfare services and programs. The majority of the FEOC's funding is supported by grants from federal, state, and local governments, with additional sources of revenue from fees for services, in-kind contributions, and donor contributions.

FEOC administers one state funded childcare program, referred to as the State Child Care Program (the Organization). The State Preschool Program provides an educational program for low-income, disadvantaged 3-4 year old children. This program provides a safe environment for children while their parents are working, going to school, or are in training. This program provides experiences for children which will influence their total development and serves children's physical, social, emotional, and cognitive needs. The Organization's staff work towards designing an environment that will foster school and community values while being sensitive to the individual needs and preferences of the child and his or her family. The Organization serves subsidized and low-income families, based on income and number of family members. The Organization operated eight preschool locations in Fresno County.

In addition to the program audit of the Organization contained herein, the FEOC is audited on an organizational wide basis annually. Accordingly, the accompanying financial statements contain only the financial information and disclosures pertaining to the Organization as of June 30, 2021.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting and Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. Under Accounting Standard Codification (ASC) Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* are the portion of net assets over which the governing board has discretionary control for the general operations of the Organization. The only limits on net assets without donor restrictions are limits resulting from contractual agreements.

*Net assets with donor restrictions* are the portion of net assets resulting from contribution, pledges, and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that expire by the passage of time or usage, and the portion of net assets restricted by external parties (donors, grantors, or laws and regulations) in ways that are not dependent on the passage of time.

Method of Accounting: The Organization uses the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America.

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

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and Cash Equivalents: For purposes of reporting the Statement of Cash Flows, the Organization considers all cash accounts and all highly liquid debt instruments purchased with an original maturity of three (3) months or less to be cash equivalents.

Interfund Receivable: Interfund receivable consists of the amounts retained in the FEOC funds that are due to the Organization.

Property and Equipment: Contributed property and equipment are recorded at fair value on the date of donation. Contributions of property and equipment are recorded as unrestricted support, unless the donor stipulates how long the assets must be used.

Property and equipment purchased with Organization funds are capitalized at cost and depreciated over the useful estimated lives of the asset using the straight-line method. Amortization of building improvements is based on the estimated useful life of the improvements. Depreciation and amortization expense is charged against operations. Expenditures for property and equipment in excess of \$5,000 are capitalized.

Property and equipment purchased with grant funds are depreciated using the straight-line method over the estimated useful life of the assets.

In the event of a contract termination, certain funding sources require title to property and equipment previously purchased with grant funds revert to the funding source. Certain funding sources also limit the use of property and equipment for specific programs and require approval for disposition of property and equipment.

Compensated Absences: The Organization recognizes compensated absences as a liability. As of June 30, 2021, the accrued vacation balance was \$23,550, which is recorded within the accrued compensation and benefits on the Statement of Financial Position. Sick leave is not vested and, therefore, is not accrued.

Deferred Revenue: Deferred revenue includes unearned grant revenue. It represents money received by the Organization, but not yet spent, or earned in accordance with grant agreements.

Contributions: Contributions consist primarily of amounts received from federal, state and local agencies. The Organization recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as net asset with donor restrictions. When the time or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Conditional contributions and promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. As of June 30, 2021, there were no conditional contributions. Contributions to be received after one year are discounted at an appropriate rate commensurate with the anticipated cash flow and risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. As of June 30, 2021, the Organization did not have contributions to be received after one year.

New Accounting Pronouncement: In May 2014, FASB issued ASU No. 2014-09 (Topic 606), *Revenue from Contracts with Customers*. The update is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS and to establish the principles to report useful information to users of the financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The Organization has implemented this ASU in these financial statements accordingly.

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Expenses: The costs of the Organization's various activities have been summarized on a functional basis in the accompanying Statements of Activities and Functional Expenses. Expenses are allocated to program and supporting services based upon the purpose of each expenditure and service provided for each program.

Income Taxes: FEOC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Corporate Code. The FEOC is subject to taxation on any unrelated business income.

Accounting principles generally accepted in the United States of America requires FEOC's management to evaluate tax positions taken by FEOC and recognize a tax liability (or asset) if FEOC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. FEOC's management has analyzed the tax positions taken and has concluded that, as of June 30, 2021, there were no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. FEOC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

FEOC files tax forms in the U.S. federal jurisdiction and the State of California. FEOC is generally no longer subject to examination by these agencies for years before June 30, 2018.

Fair Value of Financial Instruments: Financial instruments include cash and cash equivalents, interfund receivable, due to CDE, accrued compensation and benefits, deferred revenue and the child care reserve fund, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statement of Financial Position. The carrying amounts of these financial instruments approximate fair value because of the short-term maturities of those instruments.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through March 23, 2022, which is the date the financial statements were available to be issued.

**NOTE 3 – CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash and cash equivalents. Cash balances are held by Fresno Economic Opportunities Commission in several bank accounts at different banks. Interest and non-interest bearing accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

**NOTE 4 – AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Organization's financial assets as of June 30, 2021, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 4 – AVAILABILITY OF FINANCIAL ASSETS (continued)**

Financial Assets:

|  |                          |
|--|--------------------------|
| Cash and cash equivalents  | \$ 161,133               |
| Interfund receivable   | <u>221,392</u>           |
| Total financial assets   | <u>382,525</u>           |
| Less amounts unavailable for general expenses<br>within one year due to: |                          |
| Child care reserve fund  | <u>161,133</u>           |
| Total amounts unavailable for general expenses                           | <u>161,133</u>           |
| Total financial assets available for general<br>expenses within one year | <u><u>\$ 221,392</u></u> |

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2021:

|                               | Balances<br>June 30, 2020 | Additions             | Deletions and<br>Adjustments | Balances<br>June 30, 2021 |
|-------------------------------|---------------------------|-----------------------|------------------------------|---------------------------|
| Buildings and improvements    | \$ 130,000                | \$ -                  | \$ -                         | \$ 130,000                |
| Equipment                     | <u>6,900</u>              | <u>-</u>              | <u>-</u>                     | <u>6,900</u>              |
| Total                         | <u>136,900</u>            | <u>-</u>              | <u>-</u>                     | <u>136,900</u>            |
| Less accumulated depreciation | <u>(136,818)</u>          | <u>(82)</u>           | <u>-</u>                     | <u>(136,900)</u>          |
| Property and equipment, net   | <u><u>\$ 82</u></u>       | <u><u>\$ (82)</u></u> | <u><u>\$ -</u></u>           | <u><u>\$ -</u></u>        |

Depreciation expense for the year ended June 30, 2021 was \$82 for grant funded property and equipment.

**NOTE 6 – CHILD CARE RESERVE FUND**

The funding agreements with the California Department of Education (CDE) allow the Organization to record deferred revenue for the amounts earned during the current year based on enrollment and attendance. The reserve is presented as a liability for financial statement purposes and is not included in the current year revenue until spent. As of June 30, 2021, the Organization's reserve balance is \$161,133.

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 7 – PENSION PLAN**

FEOC contributes to a defined contribution pension plan which covers substantially all employees of the Organization. Contributions are based on years of service and does not allow contributions to be made if programs sponsored by federal, state or local government does not allow for such benefits. The amount contributed by the Organization for the year ended June 30, 2021 was \$26,969.

**NOTE 8 – CONTINGENCIES**

Coronavirus Pandemic: Management has determined the events regarding the Novel Coronavirus (COVID-19) require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to COVID-19. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by the government authorities to contain the outbreak or treat its impact are uncertain. A vaccination has been created and is being administered throughout the State, including the Organization's service area. The ultimate impact of COVID-19 on the operations and finances of the Organization remains unknown.

**NOTE 9 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of (\$8,026) was recorded to properly restate the opening balance of the net assets without donor restrictions as of June 30, 2020. The adjustment was made to properly record the effect of the salary and vacation accrual for the prior period.

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION**

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**SUPPLEMENTARY INFORMATION**

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

| Grantor/Pass Through Grantor/Program Title   | Federal<br>CFDA No. | Pass-Through<br>Grantor's<br>Number | Awards              | Expenditures        | Expenditures<br>to<br>Subrecipients |
|--|---------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| <b>FEDERAL</b>   |                     |                                     |                     |                     |                                     |
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>   |                     |                                     |                     |                     |                                     |
| Passed through California State Department of Education                                |                     |                                     |                     |                     |                                     |
| Child and Adult Care Food Program  | 10.558              | 10-2229-2C                          | \$ 14,729           | \$ 14,729           | \$ -                                |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>  |                     |                                     | <u>14,729</u>       | <u>14,729</u>       | <u>-</u>                            |
| <b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>                             |                     |                                     |                     |                     |                                     |
| Passed through the California State Department of<br>Community Service and Development |                     |                                     |                     |                     |                                     |
| Community Services Block Grant   | 93.569              | 18F-5016                            | 35,000              | 34,123              | -                                   |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                              |                     |                                     | <u>35,000</u>       | <u>34,123</u>       | <u>-</u>                            |
| <b>TOTAL FEDERAL AWARDS AND EXPENDITURES</b>   |                     |                                     | <u>\$ 49,729</u>    | <u>\$ 48,852</u>    | <u>\$ -</u>                         |
| <b>STATE</b>   |                     |                                     |                     |                     |                                     |
| <b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>                             |                     |                                     |                     |                     |                                     |
| Passed through California State Department of Education                                |                     |                                     |                     |                     |                                     |
| California State Preschool   | 93.575 & 93.596     | CSPP-0075                           | \$ 1,074,224        | \$ 1,044,890        | \$ -                                |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                              |                     |                                     | <u>1,074,224</u>    | <u>1,044,890</u>    | <u>-</u>                            |
| <b>TOTAL STATE AWARDS AND EXPENDITURES</b>   |                     |                                     | <u>\$ 1,074,224</u> | <u>\$ 1,044,890</u> | <u>\$ -</u>                         |



**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1 – BASIS OF ACCOUNTING & PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fresno Economic Opportunity Commission's State Child Care Programs (the Organization) is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S., Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2 – INDIRECT COST RATE**

The Organization does not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)**

The CFDA numbers included in the accompanying Schedule of Expenditures of Federal Awards were determined based on the program name, review of the grant or contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

**NOTE 4 – PASS-THROUGH ENTITY IDENTIFYING NUMBERS**

When Federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Organization has either determined that no identifying number is assigned for the program or the Organization was unable to obtain an identifying number from the pass-through entity.

**NOTE 5 – SUBRECIPIENTS**

The Organization had no federal expenditures as presented in the Schedule of Expenditures of Federal Awards that were provided to subrecipients.

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

|  | CSPP-0075<br>State Preschool<br>Program | Unrestricted<br>Other Income | Total              |
|--|---|------------------------------|--------------------|
| Revenues and Support                                 |   |                              |                    |
| Child development funding                            | \$ 1,044,890                            | \$ -                         | \$ 1,044,890       |
| Child care food program                              | 14,729                                  | -                            | 14,729             |
| Miscellaneous income                                 | -                                       | 60                           | 60                 |
| CSBG funding   | -                                       | 34,123                       | 34,123             |
|  | <u>1,059,619</u>                        | <u>34,183</u>                | <u>1,093,802</u>   |
| Total Revenues and Support                           |   |                              |                    |
|  | <u>1,059,619</u>                        | <u>34,183</u>                | <u>1,093,802</u>   |
| Expenses   |   |                              |                    |
| Salaries   | 576,560                                 | 42,066                       | 618,626            |
| Employee benefits                                    | 273,308                                 | 5,466                        | 278,774            |
| Books and supplies                                   | 19,420                                  | 2,642                        | 22,062             |
| Other operating expenses                             | 110,032                                 | 14,627                       | 124,659            |
| Depreciation   | -                                       | 82                           | 82                 |
| General, administrative,<br>and indirect expenses    | 80,299                                  | -                            | 80,299             |
|  | <u>1,059,619</u>                        | <u>64,883</u>                | <u>1,124,502</u>   |
| Total Expenses                                       |   |                              |                    |
|  | <u>1,059,619</u>                        | <u>64,883</u>                | <u>1,124,502</u>   |
| Change in Net Assets                                 | -                                       | (30,700)                     | (30,700)           |
| Net Assets at Beginning of Year                      | -                                       | 6,582                        | 6,582              |
| Prior Period Adjustment                              | -                                       | (8,026)                      | (8,026)            |
| Net Assets (Deficit) at Beginning of Year (Restated) | -                                       | (1,444)                      | (1,444)            |
| Net Assets (Deficit) at End of Year                  | <u>\$ -</u>                             | <u>\$ (32,144)</u>           | <u>\$ (32,144)</u> |

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES  
FOR THE YEAR ENDED JUNE 30, 2021**

|  | CSPP-0075<br>State Preschool<br>Program | Total CDE<br>Funds  |
|--|---|---------------------|
| Expenditures                                 |   |                     |
| 1000 - Certificated salaries                 | \$ 576,560                              | \$ 576,560          |
| 2000 - Classified salaries                   | -                                       | -                   |
| 3000 - Employee benefits                     | 273,308                                 | 273,308             |
| 4000 - Books and supplies                    | 19,420                                  | 19,420              |
| 5000 - Services and other operating expenses | 110,032                                 | 110,032             |
| 6100/6200 - Other approved capital outlay    | -                                       | -                   |
| 6400 - New equipment                         | -                                       | -                   |
| Start-up expenses                            | -                                       | -                   |
| Indirect costs                               | 80,299                                  | 80,299              |
|  | <hr/>                                   | <hr/>               |
| Total Expenses Claimed for Reimbursement     | <u>\$ 1,059,619</u>                     | <u>\$ 1,059,619</u> |

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RECONCILIATION OF STATE CHILD CARE PROGRAMS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2021**

|   |                  |                      |
|---|------------------|----------------------|
| Total FEOC expenses for the year ended December 31, 2020              |                  | \$ 126,382,279       |
| Less: expenses for programs unrelated to Child Development Fund       |                  | <u>(125,130,332)</u> |
| Total child development expenses for the year ended December 31, 2020 |                  |                      |
| State preschool   | \$ 1,078,596     |                      |
| Supplemental  | 30,000           |                      |
| General Child Care  | <u>143,351</u>   | 1,251,947            |
| Less: child development expenses - January 1, 2020 to June 30, 2020   |                  |                      |
| State preschool   | (549,968)        |                      |
| Supplemental  | (30,000)         |                      |
| General child care  | <u>(143,351)</u> | (723,319)            |
| Add: child development expenses - January 1, 2021 to June 30, 2021    |                  |                      |
| State preschool   | 530,991          |                      |
| Supplemental  | <u>64,883</u>    | 595,874              |
| Total child development expenses - July 1, 2020 to June 30, 2021      |                  |                      |
| State preschool   | 1,059,619        |                      |
| Supplemental  | <u>64,883</u>    |                      |
|   |                  | <u>\$ 1,124,502</u>  |

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RECONCILIATION OF CDE AND GAAP EXPENSE REPORTING  
FOR THE YEAR ENDED JUNE 30, 2021**

|  | CSPP-0075<br>State Preschool<br>Program | Total                      |
|--|---|----------------------------|
| Schedule of Expenditures by State Categories | <u>\$ 1,059,619</u>                     | <u>\$ 1,059,619</u>        |
| Combining Statement of Activities            | <u><u>\$ 1,059,619</u></u>              | <u><u>\$ 1,059,619</u></u> |

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
SCHEDULE OF CLAIMED EQUIPMENT EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2021**

|   | CSPP-0075<br>State Preschool<br>Program | Total       |
|---|---|-------------|
| Capitalized equipment expended on the AUD<br>with prior written approval    |   |             |
| None  | \$ -                                    | \$ -        |
| Total   | <u>\$ -</u>                             | <u>\$ -</u> |
| Capitalized equipment expended on the AUD<br>without prior written approval |   |             |
| None  | \$ -                                    | \$ -        |
| Total   | <u>\$ -</u>                             | <u>\$ -</u> |

Note: Fresno Economic Opportunities Commission's capitalization threshold is \$5,000.

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
SCHEDULE OF CLAIMED EXPENDITURES FOR RENOVATIONS AND REPAIRS  
FOR THE YEAR ENDED JUNE 30, 2021**

|  | CSPP-0075<br>State Preschool<br>Program | Total       |
|--|---|-------------|
| Unit costs under \$10,000 per item                                     |   |             |
| None   | \$ -                                    | \$ -        |
| Total  | <u>\$ -</u>                             | <u>\$ -</u> |
| Unit costs \$10,000 or more per item<br>with prior written approval    |   |             |
| None   | \$ -                                    | \$ -        |
| Total  | <u>\$ -</u>                             | <u>\$ -</u> |
| Unit costs \$10,000 or more per item<br>without prior written approval |   |             |
| None   | \$ -                                    | \$ -        |
| Total  | <u>\$ -</u>                             | <u>\$ -</u> |

Note: Fresno Economic Opportunities Commission's capitalization threshold is \$5,000.

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
SCHEDULE OF CLAIMED ADMINISTRATIVE COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

|                                   | CSPP-0075<br>State Preschool<br>Program |               | Total            |
|-----------------------------------|---|---------------|------------------|
| Reimbursable Administrative Costs |   |               |                  |
| Indirect costs                    | \$                                      | 80,299        | \$ 80,299        |
| Professional services             |   | <u>2,541</u>  | <u>2,541</u>     |
| Total                             | \$                                      | <u>82,840</u> | <u>\$ 82,840</u> |



# California Department of Education Audited Attendance and Fiscal Report for California State Preschool Programs

A U D 8501 Page 1 of 8

Fiscal Year Ending

June 30, 2021

Contract Number

CSPP-0075

Vendor Code

J067

Full Name of Contractor

Fresno County Economic Opportunities Commission

## Section 1 - Days of Enrollment Certified Children

| Enrollment Category                                    | Column A<br>Cumulative<br>CDNFS 8501 | Column B<br>Audit<br>Adjustments | Column C<br>Cumulative<br>per Audit | Column D<br>Adjustment<br>Factor | Column E<br>Adjusted Days<br>per Audit |
|--|--------------------------------------|----------------------------------|-------------------------------------|----------------------------------|--|
| Three Years and Older Full-time-plus                   |                                      |                                  |                                     | 1.1800                           | 0                                      |
| Three Years and Older Full-time                        | 3,905                                |                                  | 3,905                               | 1.0000                           | 3,905                                  |
| Three Years and Older Three-quarters-time              | 2,437                                |                                  | 2,437                               | 0.7500                           | 1,827.75                               |
| Three Years and Older One-half-time                    | 3,805                                |                                  | 3,805                               | 0.6193                           | 2,356.4365                             |
| Exceptional Needs Full-time-plus                       |                                      |                                  |                                     | 1.8172                           | 0                                      |
| Exceptional Needs Full-time                            | 908                                  |                                  | 908                                 | 1.5400                           | 1,398.32                               |
| Exceptional Needs Three-quarters-time                  | 556                                  |                                  | 556                                 | 1.1550                           | 642.18                                 |
| Exceptional Needs One-half-time                        | 310                                  |                                  | 310                                 | 0.9537                           | 295.647                                |
| Limited and Non-English Proficient Full-time-plus      |                                      |                                  |                                     | 1.2980                           | 0                                      |
| Limited and Non-English Proficient Full-time           | 1,629                                |                                  | 1,629                               | 1.1000                           | 1,791.9                                |
| Limited and Non-English Proficient Three-quarters-time | 950                                  |                                  | 950                                 | 0.8250                           | 783.75                                 |
| Limited and Non-English Proficient One-half-time       | 4,005                                |                                  | 4,005                               | 0.6193                           | 2,480.2965                             |

Full Name of Contractor

Fresno County Economic Opportunities Commission

## Section 1 - Days of Enrollment Certified Children (continued)

| Enrollment Category                             | Column A<br>Cumulative<br>CDNFS 8501 | Column B<br>Audit<br>Adjustments | Column C<br>Cumulative<br>per Audit | Column D<br>Adjustment<br>Factor | Column E<br>Adjusted Days<br>per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|----------------------------------|--|
| At Risk of Abuse or Neglect Full-time-plus      |                                      |                                  |                                     | 1.2980                           | 0                                      |
| At Risk of Abuse or Neglect Full-time           |                                      |                                  |                                     | 1.1000                           | 0                                      |
| At Risk of Abuse or Neglect Three-quarters-time |                                      |                                  |                                     | 0.8250                           | 0                                      |
| At Risk of Abuse or Neglect One-half-time       |                                      |                                  |                                     | 0.6193                           | 0                                      |
| Severely Disabled Full-time-plus                |                                      |                                  |                                     | 2.2774                           | 0                                      |
| Severely Disabled Full-time                     |                                      |                                  |                                     | 1.9300                           | 0                                      |
| Severely Disabled Three-quarters-time           |                                      |                                  |                                     | 1.4475                           | 0                                      |
| Severely Disabled One-half-time                 |                                      |                                  |                                     | 1.1952                           | 0                                      |
| <b>TOTAL DAYS OF ENROLLMENT</b>                 | <b>18,505</b>                        |                                  | <b>18,505</b>                       | <b>N/A</b>                       | <b>15,481.28</b>                       |
| <b>DAYS OF OPERATION</b>                        | <b>238</b>                           |                                  | <b>238</b>                          | <b>N/A</b>                       | <b>N/A</b>                             |
| <b>DAYS OF ATTENDANCE</b>                       | <b>7,083</b>                         |                                  | <b>7,083</b>                        | <b>N/A</b>                       | <b>N/A</b>                             |

☒ NO NON-CERTIFIED CHILDREN Check this box (omit pages 3 and 4) and continue to Revenue Section on page 5.

## Full Name of Contractor

Fresno County Economic Opportunities Commission

## Section 3 - Revenue

| Revenue Category  | Column A<br>Cumulative<br>CDNFS 8501 | Column B<br>Audit<br>Adjustments | Column C<br>Cumulative<br>per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|
| Restricted Income - Child Nutrition Programs                            | 17,568                               | -2,839                           | 14,729                              |
| Restricted Income - County Maintenance of Effort (EC Section 8279)      |                                      |                                  |                                     |
| Restricted Income - Other:  |                                      |                                  |                                     |
| <b>Restricted Income - Subtotal</b>                                     | <b>17,568</b>                        | <b>-2,839</b>                    | <b>14,729</b>                       |
| Transfer from Reserve - General   |                                      |                                  |                                     |
| Transfer from Reserve - Professional Development                        |                                      |                                  |                                     |
| <b>Transfer from Reserve Total</b>                                      |                                      |                                  |                                     |
| Waived Family Fees for Certified Children (July - August)               |                                      |                                  |                                     |
| Family Fees Collected for Certified Children (September - June)         |                                      |                                  |                                     |
| Waived Family Fees for Certified Children (September - June)            |                                      |                                  |                                     |
| <b>Family Fees for Certified Children (September - June) - Subtotal</b> |                                      |                                  |                                     |
| Interest Earned on Child Development Apportionment Payments             |                                      |                                  |                                     |
| Unrestricted Income - Fees for Non-Certified Children                   |                                      |                                  |                                     |
| Unrestricted Income - Head Start  |                                      |                                  |                                     |
| Unrestricted Income - Other:  | 54,000                               | -54,000                          | 0                                   |
| <b>Total Revenue</b>  | <b>71,568</b>                        | <b>-56,839</b>                   | <b>14,729</b>                       |

Comments:

## Full Name of Contractor

Fresno County Economic Opportunities Commission

## Section 4 - Reimbursable Expenses

| Expense Category  | Column A<br>Cumulative<br>CDNFS 8501 | Column B<br>Audit<br>Adjustments | Column C<br>Cumulative<br>per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|
| Direct Payments to Providers (FCCH only)                |                                      |                                  |                                     |
| 1000 Certificated Salaries                              | 576,560                              |                                  | 576,560                             |
| 2000 Classified Salaries                                |                                      |                                  |                                     |
| 3000 Employee Benefits                                  | 273,308                              |                                  | 273,308                             |
| 4000 Books and Supplies                                 | 19,420                               |                                  | 19,420                              |
| 5000 Services and Other Operating Expenses              | 110,032                              |                                  | 110,032                             |
| 6100/6200 Other Approved Capital Outlay                 |                                      |                                  |                                     |
| 6400 New Equipment (program-related)                    |                                      |                                  |                                     |
| 6500 Equipment Replacement (program-related)            |                                      |                                  |                                     |
| Depreciation or Use Allowance                           |                                      |                                  |                                     |
| Start-up Expenses (service level exemption)             |                                      |                                  |                                     |
| Budget Impasse Credit                                   |                                      |                                  |                                     |
| Indirect Costs (include in Total Administrative Cost)   | 80,299                               |                                  | 80,299                              |
| Non-Reimbursable (State use only)                       |                                      |                                  |                                     |
| <b>Total Reimbursable Expenses</b>                      | <b>1,059,619</b>                     |                                  | <b>1,059,619</b>                    |
| Total Administrative Cost (included in Section 4 above) | 82,840                               |                                  | 82,840                              |
| Total Staff Training Cost (included in Section 4 above) | 600                                  |                                  | 600                                 |

Approved Indirect Cost Rate:

8.2%

☒ NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

## Full Name of Contractor

Fresno County Economic Opportunities Commission

## Section 7 - Summary

| Summary Category                                      | Column A<br>Cumulative<br>CDNFS 8501 | Column B<br>Audit<br>Adjustments | Column C<br>Cumulative<br>per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|
| Total Certified Days of Enrollment                    | 18,505                               |                                  | 18,505                              |
| Days of Operation                                     | 238                                  |                                  | 238                                 |
| Days of Attendance                                    | 7,083                                |                                  | 7,083                               |
| Restricted Program Income                             | 17,568                               | -2,839                           | 14,729                              |
| Transfer from Reserve                                 |                                      |                                  |                                     |
| Family Fees for Certified Children (September - June) |                                      |                                  |                                     |
| Interest Earned on Apportionment Payments             |                                      |                                  |                                     |
| Direct Payments to Providers                          |                                      |                                  |                                     |
| Start-up Expenses (service level exemption)           |                                      |                                  |                                     |
| Total Reimbursable Expenses                           | 1,059,619                            |                                  | 1,059,619                           |
| Total Administrative Cost                             | 82,840                               |                                  | 82,840                              |
| Total Staff Training Cost                             | 600                                  |                                  | 600                                 |

Total Certified Adjusted Days of Enrollment

15,481.28

Total Non-Certified Adjusted Days of Enrollment

0

Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Learning and Care Division:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box):

Yes

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box):

Yes

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

Audit Report Page

25

# California Department of Education

## Audited Reserve Account Activity Report

A U D 9530A Page 1 of 1

Fiscal Year End

June 30, 2021

Reserve Account Type

Center-Based

Vendor Code

J067

Full Name of Contractor **Fresno County Economic Opportunities Commission**

### Section 1 - Prior Year Reserve Account Activity

|  |                                   |
|--|-----------------------------------|
| 1. Beginning Balance (2019-20 AUD 9530A Ending Balance)    | 212,205                           |
| 2. Plus Transfers to Reserve Account:                      | Per 2019-20 Post-Audit CDNFS 9530 |
| Contract No.CSPP-9072                                      | 37,789                            |
| Contract No.   |                                   |
| Contract No.   |                                   |
| Contract No.   |                                   |
| Contract No.   |                                   |
| Contract No.   |                                   |
| <b>Total Transferred from 2019-20 Contracts to Reserve</b> | <b>37,789</b>                     |
| 3. Less Excess Reserve to be Billed                        |                                   |
| <b>4. Ending Balance per 2019-20 Post-Audit CDNFS 9530</b> | <b>249,994</b>                    |

### Section 2 - Current Year (2020-21) Reserve Account Activity

|  | Column A<br>CDNFS<br>9530A | Column B<br>Audit<br>Adjustments | Column C<br>per Audit |
|--|----------------------------|----------------------------------|-----------------------|
| 5. Plus Interest Earned This Year on Reserve               | 288                        |                                  | 288                   |
| 6. Less Transfers to Contracts from Reserve:               |                            |                                  |                       |
| CSPP General-Contract No.                                  |                            |                                  |                       |
| CSPP General-Contract No.                                  |                            |                                  |                       |
| CSPP Professional Development-Contract No.                 |                            |                                  |                       |
| CSPP Professional Development-Contract No.                 |                            |                                  |                       |
| <b>Subtotal CSPP Transfers</b>                             |                            |                                  |                       |
| Other Contract No.   |                            |                                  |                       |
| Other Contract No.   |                            |                                  |                       |
| Other Contract No.   |                            |                                  |                       |
| Other Contract No.   |                            |                                  |                       |
| Other Contract No.   |                            |                                  |                       |
| <b>Subtotal Other Contract Transfers</b>                   |                            |                                  |                       |
| <b>Total Transferred to Contracts from Reserve Account</b> |                            |                                  |                       |
| <b>7. Ending Balance on June 30, 2021</b>                  | <b>250,282</b>             |                                  | <b>250,282</b>        |

COMMENTS - If necessary, attach additional sheets to explain adjustments.

Financial position \$161,133 excludes excess reserve to be billed \$89,149.



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

To the Board of Commissioners of  
Fresno Economic Opportunities Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fresno Economic Opportunities Commission's State Child Care Programs (the Organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. During our audit we did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2021-001.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-002.

**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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California  
March 23, 2022



**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION**

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**FINDINGS AND QUESTIONED COSTS**

STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements*

Type of auditors' report issued:

Unmodified

Internal control over financial reporting

- |  |   |  |   |  |
|--|---|--|---|--|
| <ul style="list-style-type: none"> <li>● Material weakness identified?</li> <li>● Significant deficiency(ies) identified that are not considered to be material weaknesses?</li> </ul> | <div style="margin-bottom: 10px;"><u>    X    </u></div> <div><u>          </u></div> | <div style="margin-bottom: 10px;">Yes</div> <div>Yes</div> | <div style="margin-bottom: 10px;"><u>          </u></div> <div><u>    X    </u></div> | <div style="margin-bottom: 10px;">No</div> <div>No</div> |
|--|---|--|---|--|

|   |   |   |  |  |
|---|---|---|--|--|
| Noncompliance material to financial statements noted? | <div style="margin-bottom: 10px;"><u>          </u></div> | <div style="margin-bottom: 10px;">Yes</div> | <div style="margin-bottom: 10px;"><u>    X    </u></div> | <div style="margin-bottom: 10px;">No</div> |
|---|---|---|--|--|

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2021**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2021-001 – Material Weakness  
Financial Close & Reporting**

Condition:

During the audit of the Organization's financial statements, we identified material misstatements in the Organization's general ledger account balances which required material audit adjustments. These adjustments were noted in accrued compensation and benefits for the accrual of wages and compensated absences and for amounts due to the California Department of Education accrued at year end.

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all assets, liabilities, revenues and expenses are properly recorded and reported. Furthermore, proper accounting principles should be applied to financial closing accounts and processes, thus resulting in the proper presentation of all Organization activities and/or funds.

Cause:

The Organization lacked proper closing procedures and adequate review processes to ensure all account balances and transactions were properly recorded and reconciled at year-end.

Effect:

Material adjustments were identified through audit procedures performed which resulted in adjustments to accrued compensation and benefits and accrued amounts due to the California Department of Education to ensure proper presentation in accordance with generally accepted accounting standards.

Recommendation:

We recommend that the Organization continue to work on clarifying roles and responsibilities during the year-end closing process, enhancing the process to ensure that all accounting records are properly reflected in the financial statements prior to the commencement of the audit.

Client Response:

Fiscal Year 2021 provided a number of challenges and changes including coronavirus, sheltering in place, and several key staffing changes within the Fresno EOC Finance Department.

Fresno EOC has instituted several leadership and financial changes to address these issues. Fresno EOC hired new leadership, a chief financial officer, and an executive director.

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2021**

**SECTION III – FEDERAL AND STATE AWARDS FINDINGS**

**Finding 2021-002 - Noncompliance  
Program Income**

Condition:

Our tests of compliance over attendance and program income identified the following instances of non-compliance with program income requirements: there was a discrepancy in quarter 4 attendance reporting where 190 of the May 2021 attendance from the Franklin site was omitted from the quarterly report, and nutrition income reported to the CDE was overstated and the correct nutrition income was not properly reported. Using the CNIPS report, total nutrition income was calculated as \$14,729. Noted the amount reported to the CDE was \$17,568, and the amount recorded in the general ledger was \$16,938. Upon inquiry, client confirmed that the correct amount reported should have been \$14,729.

Criteria:

The California Department of Education Audit Guide and the Funding Terms and Conditions and CSPP Program Requirements for the contract outline the specific program income, attendance reporting and income reporting requirements to receive nutrition income.

Cause:

Staff shortages and difficulties adjusting to changes caused by the COVID-19 pandemic resulted to attendance and income reporting that was not reconciled against attendance records and financial information as recorded in the general ledger.

Effect:

Attendance was underreported to the CDE for the fourth quarter, and annual nutrition income as reported was overstated.

Recommendation:

We recommend the Organization obtain copies of the Audit Guide, Funding Terms and Conditions, and CSPP Program Requirement documents and implement a stronger review process to ensure that attendance and income numbers reported for the nutrition program are accurate and in compliance.

Client Response:

Fiscal Year 2021 provided a number of challenges and changes including coronavirus, sheltering in place, and several key staffing changes within the Fresno EOC Finance Department.

Fresno EOC has instituted several leadership and financial changes to address these issues. Fresno EOC hired new leadership, a chief financial officer, and an executive director.

**STATE CHILD CARE PROGRAMS  
FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no prior year financial statement findings.

**SECTION III – FEDERAL AND STATE AWARDS FINDINGS**

There were no prior year federal award findings.

**FRESNO ECONOMIC  
OPPORTUNITIES COMMISSION**

**URBAN CONSOLIDATED TRANSPORTATION  
SERVICE AGENCY**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED  
JUNE 30, 2021 AND 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the  
Fresno Economic Opportunities Commission

### Report on the Financial Statements

We have audited the accompanying financial statements of the Fresno Economic Opportunities Commission's Urban Consolidated Transportation Service Agency (the Agency), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America



## Other Matters

### *Other Information*

The financial statements of the Agency as of and for the year ended June 30, 2020 were audited by predecessor auditors' and they expressed an unmodified opinion in their report dated December 4, 2020, but they have not performed any auditing procedures since that date

### **Other Reporting Required by *Government Auditing Standards* and the Transportation Development Act**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2022, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters as it relates to the Transportation Development Act Funds. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance as it relates to the Transportation Development Act Funds. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance as it relates to the Transportation Development Act Funds.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
May 26, 2022

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

|                                       | <b>2021</b>         | <b>(Restated)<br/>2020</b> |
|---------------------------------------|---------------------|----------------------------|
| <b>ASSETS</b>                         |                     |                            |
| Current Assets                        |                     |                            |
| Accounts receivable                   | \$ 241,453          | \$ 674,428                 |
| Interfund receivable                  | 3,305,291           | 6,075                      |
| Deposits                              | 38,802              | -                          |
| Total Current Assets                  | <u>3,585,546</u>    | <u>680,503</u>             |
| Noncurrent Assets                     |                     |                            |
| Property and equipment, net           | <u>1,567,346</u>    | <u>1,796,706</u>           |
| Total Noncurrent Assets               | <u>1,567,346</u>    | <u>1,796,706</u>           |
| Total Assets                          | <u>\$ 5,152,892</u> | <u>\$ 2,477,209</u>        |
| <b>LIABILITIES AND NET ASSETS</b>     |                     |                            |
| Liabilities                           |                     |                            |
| Accrued compensation and benefits     | \$ 163,069          | \$ 157,730                 |
| Interfund payable                     | 151,312             | -                          |
| Refundable advances                   | <u>1,524,025</u>    | <u>399,617</u>             |
| Total Liabilities                     | <u>3,362,431</u>    | <u>557,347</u>             |
| Net Assets                            |                     |                            |
| Net assets with donor restrictions    | -                   | -                          |
| Net assets without donor restrictions | <u>1,790,461</u>    | <u>1,919,862</u>           |
| Total Net Assets                      | <u>1,790,461</u>    | <u>1,919,862</u>           |
| Total Liabilities and Net Assets      | <u>\$ 5,152,892</u> | <u>\$ 2,477,209</u>        |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

|  | Year Ended<br>June 30, 2021   |                            |                         |
|--|-------------------------------|----------------------------|-------------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                   |
| <b>REVENUES AND SUPPORT</b>              |                               |                            |                         |
| Special transit fares                    | \$ -                          | \$ 1,576,635               | \$ 1,576,635            |
| School bus service revenues              | -                             | 821,902                    | 821,902                 |
| Local transportation fund                | -                             | -                          | -                       |
| Non-transportation revenue               | -                             | 569                        | 569                     |
| Net assets released from restrictions    |                               |                            |                         |
| Satisfaction of acquisition restrictions | 2,399,106                     | (2,399,106)                | -                       |
| <br>Total Revenues and Support           | <br>2,399,106                 | <br>-                      | <br>2,399,106           |
| <b>EXPENSES</b>                          |                               |                            |                         |
| Program services                         | 2,216,676                     | -                          | 2,216,676               |
| General and administrative               | 84,979                        | -                          | 84,979                  |
| <br>Total Expenses                       | <br>2,301,655                 | <br>-                      | <br>2,301,655           |
| <br>Excess Revenues over Expenses        | <br>97,451                    | <br>-                      | <br>97,451              |
| <b>OTHER INCOME (EXPENSES)</b>           |                               |                            |                         |
| Depreciation of grant funded assets      | (226,852)                     | -                          | (226,852)               |
| <br>Total Other Income (Expenses)        | <br>(226,852)                 | <br>-                      | <br>(226,852)           |
| <br>Changes in Net Assets                | <br>(129,401)                 | <br>-                      | <br>(129,401)           |
| <br>Net Assets at Beginning of Year      | <br>1,919,862                 | <br>-                      | <br>1,919,862           |
| <br>Net Assets at End of Year            | <br><u>\$ 1,790,461</u>       | <br><u>\$ -</u>            | <br><u>\$ 1,790,461</u> |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
STATEMENTS OF ACTIVITIES (continued)  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

|  | (Restated)<br>Year Ended<br>June 30, 2020 |                            |                     |
|--|---|----------------------------|---------------------|
|  | Without Donor<br>Restrictions             | With Donor<br>Restrictions | Total               |
| <b>REVENUES AND SUPPORT</b>              |   |                            |                     |
| Special transit fares                    | \$ -                                      | \$ 2,076,338               | \$ 2,076,338        |
| School bus service revenues              | -   | 454,146                    | 454,146             |
| Auxiliary transportation revenues        | -   | 277,790                    | 277,790             |
| Local transportation fund                | -   | 777,399                    | 777,399             |
| Net assets released from restrictions    |   |                            |                     |
| Satisfaction of acquisition restrictions | 3,585,673                                 | (3,585,673)                | -                   |
| <br>Total Revenues and Support           | <br>3,585,673                             | <br>-                      | <br>3,585,673       |
| <b>EXPENSES</b>                          |   |                            |                     |
| Program services                         | 3,403,665                                 | -                          | 3,403,665           |
| General and administrative               | 182,008                                   | -                          | 182,008             |
| <br>Total Expenses                       | <br>3,585,673                             | <br>-                      | <br>3,585,673       |
| Excess Revenues over Expenses            | -   | -                          | -                   |
| <br><b>OTHER INCOME (EXPENSES)</b>       |   |                            |                     |
| Capital Revenue                          | 432,676                                   | -                          | 432,676             |
| Depreciation of grant funded assets      | (289,969)                                 | -                          | (289,969)           |
| <br>Total Other Income (Expenses)        | <br>142,707                               | <br>-                      | <br>142,707         |
| Changes in Net Assets                    | 142,707                                   | -                          | 142,707             |
| Net Assets at Beginning of Year          | 1,777,155                                 | -                          | 1,777,155           |
| Net Assets at End of Year                | <u>\$ 1,919,862</u>                       | <u>\$ -</u>                | <u>\$ 1,919,862</u> |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

|                        | Year Ended<br>June 30, 2021               |                               |                     |
|------------------------|---|-------------------------------|---------------------|
|                        | Program<br>Services                       | General and<br>Administrative | Total<br>Expenses   |
| Expenses:              |   |                               |                     |
| Labor                  | \$ 1,074,077                              | \$ -                          | \$ 1,074,077        |
| Fringe benefits        | 475,636                                   | -                             | 475,636             |
| Services               | 305,942                                   | -                             | 305,942             |
| Materials and supplies | 188,894                                   | -                             | 188,894             |
| Utilities              | 48,171                                    | -                             | 48,171              |
| Insurance              | 90,468                                    | -                             | 90,468              |
| Miscellaneous expenses | 11,554                                    | -                             | 11,554              |
| Leases and rentals     | 21,934                                    | -                             | 21,934              |
| Administrative expense | -   | 84,979                        | 84,979              |
| Total Expenses         | <u>\$ 2,216,676</u>                       | <u>\$ 84,979</u>              | <u>\$ 2,301,655</u> |
|                        | (Restated)<br>Year Ended<br>June 30, 2020 |                               |                     |
|                        | Program<br>Services                       | General and<br>Administrative | Total<br>Expenses   |
| Expenses:              |   |                               |                     |
| Labor                  | \$ 1,757,053                              | \$ -                          | \$ 1,757,053        |
| Fringe benefits        | 696,015                                   | -                             | 696,015             |
| Services               | 392,934                                   | -                             | 392,934             |
| Materials and supplies | 359,759                                   | -                             | 359,759             |
| Utilities              | 53,127                                    | -                             | 53,127              |
| Insurance              | 111,019                                   | -                             | 111,019             |
| Miscellaneous expenses | 19,423                                    | -                             | 19,423              |
| Leases and rentals     | 14,335                                    | -                             | 14,335              |
| Administrative expense | -   | 182,008                       | 182,008             |
| Total Expenses         | <u>\$ 3,403,665</u>                       | <u>\$ 182,008</u>             | <u>\$ 3,585,673</u> |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

|  | <u>Year Ended<br/>June 30, 2021</u> | <u>Year Ended<br/>June 30, 2020</u> |
|--|-------------------------------------|-------------------------------------|
| <b>Cash Flows from Operating Activities</b>  |                                     |                                     |
| Change in net assets   | \$ (129,401)                        | \$ 142,707                          |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: |                                     |                                     |
| Depreciation expense   | 229,360                             | 292,685                             |
| Changes in operating assets and liabilities:   |                                     |                                     |
| Accounts receivable  | 432,975                             | (209,112)                           |
| Interfund receivable   | (3,299,216)                         | -                                   |
| Deposits   | (38,802)                            | 12,539                              |
| Accrued compensation and benefits  | 5,339                               | -                                   |
| Interfund payable  | 151,312                             | (276,163)                           |
| Accounts payable   | -                                   | (1,465)                             |
| Refundable advances  | <u>1,124,408</u>                    | <u>484,025</u>                      |
| Net cash provided by operating activities  | <u>-</u>                            | <u>445,216</u>                      |
| <b>Cash Flows from Operating Activities</b>  |                                     |                                     |
| Purchase equipment   | <u>-</u>                            | <u>(445,216)</u>                    |
| Net cash provided by operating activities  | <u>-</u>                            | <u>(445,216)</u>                    |
| Cash and Cash Equivalents, Beginning of Year   | <u>-</u>                            | <u>-</u>                            |
| Cash and Cash Equivalents, End of Year   | <u><u>\$ -</u></u>                  | <u><u>\$ -</u></u>                  |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities: Fresno Economic Opportunities Commission (the “Agency”) is a California non-profit organization formed in August 1965. The Agency is a local community human services agency that provides assistance to economically and socially disadvantaged persons in the Fresno County region through various types of health and welfare services and programs. The majority of the Agency’s funding is supported by grants from federal, state, and local governments, with additional sources of revenues from fees for services, in-kind and donor contributions.

The Agency formed the Consolidated Transportation Service Agency (“CTSA”) for the purpose of serving the transportation needs of Metropolitan and rural Fresno County. The Agency, as co-designate with the City of Fresno, is the lead social service agency in administering the CTSA operations for the Fresno Metropolitan Area.

The CTSA is a program component of the Agency and was established to operate and administer various federal and state grant programs related to transportation services. In addition to the program audit of the CTSA contained herein, the Agency is audited on an organizational wide basis annually. Accordingly, the accompanying financial statements contain only the financial information and disclosures pertaining to the CTSA program. The Rural CTSA program has been reported separately.

Basis of Accounting: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Update (ASU) 2016-14, Topic 958, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU Topic 958, the Agency is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* are the portion of net assets over which the governing board has discretionary control for the general operations of the Agency. The only limits on net assets without donor restrictions are limits resulting from contractual agreements.

*Net assets with donor restrictions* are the portion of net assets resulting from contributions, pledges, and other inflows of assets whose use by the Agency is limited by donor-imposed restrictions that expire by the passage of time or usage, and the portion of net assets restricted by external parties (donors, grantors, or laws and regulations) in ways that are not dependent on the passage of time.

Method of Accounting: The Agency uses the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents: For purposes of reporting the Statements of Cash Flows, the Organization considers all cash accounts and all highly liquid debt instruments purchased with an original maturity of three (3) months or less to be cash equivalents. Restricted cash and cash equivalents, when applicable, consists of donations received designated for a specific use but not yet expended.

Accounts and Grants Receivable: Accounts receivable are amounts due from various agencies and entities for services performed under fee for service contracts. Grants receivable are amounts due from federal, state, or local funding sources for services performed under cost reimbursement contracts. Management considers all amounts to be fully collectible, and therefore no allowance for doubtful accounts related to accounts or grants receivables have been recorded in the accompanying financial statements.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets: Contributed property and equipment are recorded at fair value on the date of donation. Contributions of property and equipment are recorded as unrestricted support, unless the donor stipulates how long the assets must be used.

Property and equipment purchased with Agency funds are capitalized at cost and depreciated over the useful estimated lives of the asset using the straight-line method. Amortization of building improvements is based on the estimated useful life of the improvements. Depreciation and amortization expense is charged against operations. Expenditures for property and equipment in excess of \$5,000 are capitalized.

Property and equipment purchased with grant funds are depreciated using the straight-line method over the estimated useful life of the assets. Depreciation of these assets is charged against grant funded assets in the Statements of Activities.

In the event of a contract termination, certain funding sources require title to property and equipment purchased with grant funds revert to the funding source. Certain funding sources also limit the use of property and equipment for specific programs and require approval for disposition of property and equipment.

The estimated useful lives for the various types of assets are as follows:

|           |              |
|-----------|--------------|
| Equipment | 5 - 15 years |
|-----------|--------------|

Interfund Payable: Certain costs are incurred by the Agency during the current period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The Agency's Interfund Payable balances were \$151,312 and \$0 as of June 30, 2021 and 2020, respectively.

Refundable Advances: Transportation Development Act ("TDA") funds received but not expended in the program year are deferred and carried forward to the subsequent year. Interest earned on carryover funds is included as current year revenues on the Statements of Activities.

Support and Revenue: The Agency receives support primarily through contributions received from various donors. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other temporarily or permanently restricted donor support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

The Agency follows the recommendations of FASB ASU 2018-18, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Under this FASB ASU, the Organization accounts for contributions received and contributions made, whether as a contribution or an exchange transaction, and whether a contribution is conditional.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: The Agency is a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Corporate Code. The Organization is subject to taxation on any unrelated business income.



**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Allocation of Expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Expenses are charged to programs and supporting services on the basis of program costs. Supporting services costs include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

**Subsequent Events:** In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through May 26, 2022, which is the date the financial statements were available to be issued.

**NOTE 2 – CAPITAL ASSETS**

Capital assets activity for the years ended June 30, 2021 and 2020 were as follows:

|                               | <u>2021</u>         | <u>2020</u>         |
|-------------------------------|---------------------|---------------------|
| Buildings and improvements    | \$ 2,361,513        | \$ 2,361,513        |
| Equipment                     | <u>4,190,398</u>    | <u>4,190,398</u>    |
| Total                         | <u>6,551,911</u>    | <u>6,551,911</u>    |
| Less accumulated depreciation | <u>4,984,565</u>    | <u>4,755,205</u>    |
| Property and equipment, net   | <u>\$ 1,567,346</u> | <u>\$ 1,796,706</u> |

Depreciation expenses for years ended June 30, 2021 and 2020 was \$230,398 and \$292,685; respectively.

**NOTE 3 – RETIREMENT PLAN**

The Agency contributes to a defined contribution retirement plan which covers substantially all employees of the Agency. Generally, the Agency contributes an amount equal to five percent (5%) of the compensation earned by each eligible employee. Employer contributions are vested immediately. Annual contributions are disclosed in the Agency's organization-wide audit.

**NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Agency's liquidity and availability of financial assets are reported on the Agency's annual audit. Rural CTSA's financial assets available for general expenditures within one year of the Statements of Financial Position dates primarily consists of accounts and interfund receivables.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 5 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS**

Section 6633: Pursuant to Section 6633.2 of the California Administrative Code, the Agency is required to meet a passenger fare revenue recovery ratio of 55% for urban fixed services.

The ratios for the fiscal years ended June 30, 2021 and 2020 are 104.37% and 81.99% respectively. The Agency's passenger fare recovery ratio for the rural services with fixed routes is as follows at June 30, 2021 and 2020, respectively:

|  | <b>2021</b>         | <b>(Restated)<br/>2020</b> |
|--|---------------------|----------------------------|
| Allowable TDA Fare Revenues:   |                     |                            |
| Special Transit Fares  | \$ 1,576,635        | \$ 2,071,898               |
| School Bus Revenue   | <u>821,902</u>      | <u>736,376</u>             |
| Fare Revenue   | <u>\$ 2,398,537</u> | <u>\$ 2,808,274</u>        |
| Total Operating Expenses   | \$ 2,528,507        | \$ 3,717,912               |
| Allowable TDA Adjustments:   |                     |                            |
| Depreciation   | <u>(230,398)</u>    | <u>(292,685)</u>           |
| Net Operating Expenses   | <u>\$ 2,298,109</u> | <u>\$ 3,425,227</u>        |
| Fare Revenue Ratio   | 104.37%             | 81.99%                     |
| Ratio of Local Support Revenues to<br>Operating Costs Minus Exclusions | 113.66%             | 87.00%                     |

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 6 – REFUNDABLE ADVANCES**

Refundable advances of the Agency for the years ended June 30, 2021 and 2020 are as follows:

|   | <b>2021</b>         |                |                     |
|---|---------------------|----------------|---------------------|
|   | <b>Operations</b>   | <b>Capital</b> | <b>Total</b>        |
| Amount approved and allocated by<br>Fresno Council of Governments (4.5 LTF Funds) | \$ 1,124,408        | \$ -           | \$ 1,124,408        |
| Carryover available   | 557,347             | -              | 557,347             |
| Prior period adjustment   | (157,730)           |                |                     |
| Total allocation  | <u>\$ 1,524,025</u> | <u>\$ -</u>    | <u>\$ 1,681,755</u> |
| Net reimbursable costs submitted<br>by the Agency Rural CTSA                      | <u>\$ -</u>         | <u>\$ -</u>    | <u>\$ -</u>         |
| Net amount disbursed during the year  | <u>-</u>            | <u>-</u>       | <u>-</u>            |
| Amount available for carryover  | <u>\$ 1,524,025</u> | <u>\$ -</u>    | <u>\$ 1,524,025</u> |
|   | <b>2020</b>         |                |                     |
|   | <b>Operations</b>   | <b>Capital</b> | <b>Total</b>        |
| Amount approved and allocated by<br>Fresno Council of Governments (4.5 LTF Funds) | \$ 1,103,197        | \$ -           | \$ 1,103,197        |
| Carryover available   | 73,322              | -              | 73,322              |
| Interest  | 497                 | -              | 497                 |
| Total allocation  | <u>\$ 1,177,016</u> | <u>\$ -</u>    | <u>\$ 1,177,016</u> |
| Net reimbursable costs submitted<br>by the Agency Rural CTSA                      | <u>\$ 619,669</u>   | <u>\$ -</u>    | <u>\$ 619,669</u>   |
| Net amount disbursed during the year  | <u>619,669</u>      | <u>-</u>       | <u>619,669</u>      |
| Amount available for carryover  | <u>\$ 557,347</u>   | <u>\$ -</u>    | <u>\$ 557,347</u>   |

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 7 – ECONOMIC DEPENDENCY**

The TDA Fund of the Agency received the majority of its funding from one source, by Section 99400(a) of the Public Utilities Code. The total amount of funding received from the Public Utilities Code was \$1,124,408 and \$1,103,197, or 38.32% and 16.05%, of the total funding for the years ending June 30, 2021 and 2020, respectively. The TDA Fund of the Agency is thus subject to possible risk of reductions in services and/or closure due to potential future changes of Section 99400(a) of the Public Utilities Code.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

Coronavirus Pandemic: Management has determined the events regarding the novel coronavirus require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to the novel coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by government authorities to contain the outbreak or treat its impact are uncertain. A vaccination has been created and is being administered throughout the state, including the Agency's service area. The ultimate impact of COVID-19 on the operations and finances of the Agency remains unknown.

**NOTE 9 – PRIOR PERIOD RESTATEMENT**

A prior period restatement of (\$157,730) was recorded to properly restate the opening balance of the refundable advances and accrued compensation and benefit as of June 30, 2020. This adjustment also resulted in an increase to local Transportation Fund revenues and support, along with an increase in program services expenses of \$157,730. The adjustment was made to properly record the effects of the salary and vacation accrual for the prior period. The adjustment had no impact or overall change in net assets as of June 30, 2020, or the total change in net assets for the year ended June 30, 2020. The restatement was a reclassification of liabilities along with an increase in revenues and expenses.



**INDEPENDENT AUDITORS' 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 AND THE TRANSPORTATION DEVELOPMENT ACT**

To the Board of Commissioners of the  
Fresno Economic Opportunities Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fresno Economic Opportunities Commission's Urban Consolidated Transportation Service Agency (the Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated May 26, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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. During our audit we did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness; 2021-001.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable statutes, rules and regulations of the Transportation Development Act, including Public Utilities Code Section 99245 as enacted and amended by statute through June 30, 2021, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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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. Our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Transportation Development Act.

**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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Transportation Development Act in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
May 26, 2022

DRAFT

**FRESNO ECONOMIC  
OPPORTUNITIES COMMISSION**

**URBAN CONSOLIDATED TRANSPORTATION  
SERVICE AGENCY**

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**FINDINGS AND QUESTIONED COSTS**

DRAFT

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of auditors' report issued:

Unmodified

Internal control over financial reporting

- Material weakness identified?     X     Yes          No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?          Yes     X     No

Noncompliance material to financial statements noted?          Yes     X     No

DRAFT



**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2021**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2021-001 – Material Weakness  
Financial Close & Reporting**

Condition:

During the audit of the Agency's financial statements, we identified material misstatements in the Agency's general ledger account balances which required material audit adjustments. These adjustments were noted in accrued compensation and benefits for the accrual of wages and compensated absences at year end.

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all assets, liabilities, revenues and expenses are properly recorded and reported. Furthermore, proper accounting principles should be applied to all financial closing accounts and processes, thus resulting in the proper presentation of all Agency activities and/or funds.

Cause:

The Agency lacked proper closing procedures and adequate review processes to ensure all account balances and transactions were properly recorded and reconciled at year-end.

Effect:

Material adjustments were identified through audit procedures performed which resulted in adjustments to accrued compensation and benefits to ensure proper presentation in accordance with generally accepted accounting standards.

Recommendation:

We recommend that the Agency continue to work on clarifying roles and responsibilities during the year-end closing process, enhancing the process to ensure that all accounting records are properly reflected in the financial statements prior to the commencement of the audit.

Management Response:

Fiscal year 2021 provided a number of challenges and changes including coronavirus, sheltering in place, and several key staffing changes within the Fresno EOC Finance Department.

Fresno EOC has instituted several leadership and financial changes to address these issues. Fresno EOC hired new leadership, a chief financial officer and an executive director.

**SECTION III – FEDERAL AND STATE AWARD FINDINGS**

There are no federal or state award findings to be reported in accordance with the Transportation Development Act Audit Guide.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
URBAN CONSOLIDATED TRANSPORTATION AGENCY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no prior year financial statement findings.

**SECTION III – FEDERAL AND STATE AWARD FINDINGS**

There were no prior year federal or state award findings.

DRAFT

**FRESNO ECONOMIC  
OPPORTUNITIES COMMISSION**

**RURAL CONSOLIDATED TRANSPORTATION  
SERVICE AGENCY**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED  
JUNE 30, 2021 AND 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the  
Fresno Economic Opportunities Commission

### Report on the Financial Statements

We have audited the accompanying financial statements of the Fresno Economic Opportunities Commission's Rural Consolidated Transportation Service Agency (the Agency), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

The financial statements of the Agency as of and for the year ended June 30, 2020 were audited by predecessor auditors' and they expressed an unmodified opinion in their report dated December 4, 2020, but they have not performed any auditing procedures since that date.

### **Other Reporting Required by *Government Auditing Standards* and the Transportation Development Act**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2022, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters as it relates to the Transportation Development Act Funds. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance as it relates to the Transportation Development Act Funds. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance as it relates to the Transportation Development Act Funds.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
May 26, 2022

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

|                                       | <u>2021</u>       | <u>(Restated)<br/>2020</u> |
|---------------------------------------|-------------------|----------------------------|
| <b>ASSETS</b>                         |                   |                            |
| Current Assets                        |                   |                            |
| Accounts receivable                   | \$ 642,097        | \$ 552,305                 |
| Total Current Assets                  | <u>642,097</u>    | <u>552,305</u>             |
| Noncurrent Assets                     |                   |                            |
| Property and equipment, net           | <u>18,783</u>     | <u>83,792</u>              |
| Total Noncurrent Assets               | <u>18,783</u>     | <u>83,792</u>              |
| Total Assets                          | <u>\$ 660,880</u> | <u>\$ 636,097</u>          |
| <b>LIABILITIES AND NET ASSETS</b>     |                   |                            |
| Liabilities                           |                   |                            |
| Accrued compensation and benefits     | \$ 75,763         | \$ 73,497                  |
| Interfund payable                     | 116,903           | 475,310                    |
| Refundable advances                   | <u>460,497</u>    | <u>14,155</u>              |
| Total Liabilities                     | <u>653,163</u>    | <u>562,962</u>             |
| Net Assets                            |                   |                            |
| Net assets with donor restrictions    | 7,717             | 73,135                     |
| Net assets without donor restrictions | <u>-</u>          | <u>-</u>                   |
| Total Net Assets                      | <u>7,717</u>      | <u>73,135</u>              |
| Total Liabilities and Net Assets      | <u>\$ 660,880</u> | <u>\$ 636,097</u>          |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

|  | Year Ended<br>June 30, 2021   |                            |            |
|--|-------------------------------|----------------------------|------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
| <b>REVENUES AND SUPPORT</b>              |                               |                            |            |
| Special transit fares                    | \$ -                          | \$ 578,437                 | \$ 578,437 |
| School bus service revenues              | -                             | 296,388                    | 296,388    |
| Local transportation fund                | -                             | 129,728                    | 129,728    |
| Net assets released from restrictions    |                               |                            |            |
| Satisfaction of acquisition restrictions | 1,069,971                     | (1,069,971)                | -          |
| Total Revenues and Support               | 1,069,971                     | (65,418)                   | 1,004,553  |
| <b>EXPENSES</b>                          |                               |                            |            |
| Program services                         | 973,068                       | -                          | 973,068    |
| General and administrative               | 31,894                        | -                          | 31,894     |
| Total Expenses                           | 1,004,962                     | -                          | 1,004,962  |
| Excess Revenues over Expenses            | 65,009                        | (65,418)                   | (409)      |
| <b>OTHER INCOME (EXPENSES)</b>           |                               |                            |            |
| Depreciation of grant funded assets      | (65,009)                      | -                          | (65,009)   |
| Total Other Income (Expenses)            | (65,009)                      | -                          | (65,009)   |
| Changes in Net Assets                    | -                             | (65,418)                   | (65,418)   |
| Net Assets at Beginning of Year          | -                             | 73,135                     | 73,135     |
| Net Assets at End of Year                | \$ -                          | \$ 7,717                   | \$ 7,717   |

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



**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
STATEMENTS OF ACTIVITIES (continued)  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

|  | (Restated)<br>Year Ended<br>June 30, 2020 |                            |              |
|--|---|----------------------------|--------------|
|  | Without Donor<br>Restrictions             | With Donor<br>Restrictions | Total        |
| <b>REVENUES AND SUPPORT</b>              |   |                            |              |
| Special transit fares                    | \$ -                                      | \$ 1,198,342               | \$ 1,198,342 |
| School bus service revenues              | -   | 204,861                    | 204,861      |
| Auxiliary transportation revenues        | -   | 288,051                    | 288,051      |
| Local transportation fund                | -   | 536,797                    | 536,797      |
| Net assets released from restrictions    |   |                            |              |
| Satisfaction of acquisition restrictions | 2,320,040                                 | (2,320,040)                | -            |
| Total Revenues and Support               | 2,320,040                                 | (91,989)                   | 2,228,051    |
| <b>EXPENSES</b>                          |   |                            |              |
| Program services                         | 2,133,270                                 | -                          | 2,133,270    |
| General and administrative               | 94,781                                    | -                          | 94,781       |
| Total Expenses                           | 2,228,051                                 | -                          | 2,228,051    |
| Excess Revenues over Expenses            | 91,989                                    | (91,989)                   | -            |
| <b>OTHER INCOME (EXPENSES)</b>           |   |                            |              |
| Depreciation of grant funded assets      | (91,989)                                  | -                          | (91,989)     |
| Total Other Income (Expenses)            | (91,989)                                  | -                          | (91,989)     |
| Changes in Net Assets                    | -   | (91,989)                   | (91,989)     |
| Net Assets at Beginning of Year          | -   | 165,124                    | 165,124      |
| Net Assets at End of Year                | \$ -                                      | \$ 73,135                  | \$ 73,135    |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

|                          | Year Ended<br>June 30, 2021               |                               |                     |
|--------------------------|---|-------------------------------|---------------------|
|                          | Program<br>Services                       | General and<br>Administrative | Total<br>Expenses   |
| Expenses:                |   |                               |                     |
| Labor                    | \$ 350,125                                | \$ -                          | \$ 350,125          |
| Fringe benefits          | 141,341                                   | -                             | 141,341             |
| Services                 | 118,337                                   | -                             | 118,337             |
| Materials and supplies   | 87,065                                    | -                             | 87,065              |
| Utilities                | 18,889                                    | -                             | 18,889              |
| Insurance                | 46,508                                    | -                             | 46,508              |
| Purchased transportation | 200,000                                   | -                             | 200,000             |
| Miscellaneous expenses   | 6,237                                     | -                             | 6,237               |
| Leases and rentals       | 4,566                                     | -                             | 4,566               |
| Administrative expense   | -   | 31,894                        | 31,894              |
| Total Expenses           | <u>\$ 973,068</u>                         | <u>\$ 31,894</u>              | <u>\$ 1,004,962</u> |
|                          |   |                               |                     |
|                          | (Restated)<br>Year Ended<br>June 30, 2020 |                               |                     |
|                          | Program<br>Services                       | General and<br>Administrative | Total<br>Expenses   |
| Expenses:                |   |                               |                     |
| Labor                    | \$ 937,432                                | \$ -                          | \$ 937,432          |
| Fringe benefits          | 356,282                                   | -                             | 356,282             |
| Services                 | 288,745                                   | -                             | 288,745             |
| Materials and supplies   | 261,954                                   | -                             | 261,954             |
| Utilities                | 26,212                                    | -                             | 26,212              |
| Insurance                | 74,523                                    | -                             | 74,523              |
| Purchased transportation | 173,052                                   | -                             | 173,052             |
| Miscellaneous expenses   | 10,474                                    | -                             | 10,474              |
| Leases and rentals       | 4,596                                     | -                             | 4,596               |
| Administrative expense   | -   | 94,781                        | 94,781              |
| Total Expenses           | <u>\$ 2,133,270</u>                       | <u>\$ 94,781</u>              | <u>\$ 2,228,051</u> |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

|  | <u>Year Ended<br/>June 30, 2021</u> | <u>Year Ended<br/>June 30, 2020</u> |
|--|-------------------------------------|-------------------------------------|
| <b>Cash Flows from Operating Activities</b>  |                                     |                                     |
| Change in net assets   | \$ (65,418)                         | \$ (91,989)                         |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: |                                     |                                     |
| Depreciation expense   | 65,009                              | 91,989                              |
| Changes in operating assets and liabilities:   |                                     |                                     |
| Accounts receivable  | (89,792)                            | 79,272                              |
| Accrued compensation and benefits  | 2,266                               | -                                   |
| Interfund payable  | (358,407)                           | (166,924)                           |
| Refundable advances  | 446,342                             | 87,652                              |
|  | <u>-</u>                            | <u>-</u>                            |
| Net cash provided by operating activities  | <u>-</u>                            | <u>-</u>                            |
| Cash and Cash Equivalents, Beginning of Year   | <u>-</u>                            | <u>-</u>                            |
| Cash and Cash Equivalents, End of Year   | <u><u>\$ -</u></u>                  | <u><u>\$ -</u></u>                  |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities: Fresno Economic Opportunities Commission (the “Agency”) is a California non-profit organization formed in August 1965. The Agency is a local community human services agency that provides assistance to economically and socially disadvantaged persons in the Fresno County region through various types of health and welfare services and programs. The majority of the Agency’s funding is supported by grants from federal, state, and local governments, with additional sources of revenues from fees for services, in-kind and donor contributions.

The Agency formed the Consolidated Transportation Service Agency (“CTSA”) for the purpose of serving the transportation needs of Metropolitan and Rural Fresno County. The Agency, as co-designate with the Fresno County Rural Transit Agency (“FCRTA”), is the lead social service agency in administering the CTSA operations for the Rural Fresno County Area.

The CTSA is a program component of the Agency and was established to operate and administer various federal and state grant programs related to transportation services. In addition to the program audit of the CTSA contained herein, the Agency is audited on an organizational wide basis annually. Accordingly, the accompanying financial statements contain only the financial information and disclosures pertaining to the CTSA program. The Urban CTSA program has been reported separately.

Basis of Accounting: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Update (ASU) 2016-14, Topic 958, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU Topic 958, the Agency is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* are the portion of net assets over which the governing board has discretionary control for the general operations of the Agency. The only limits on net assets without donor restrictions are limits resulting from contractual agreements.

*Net assets with donor restrictions* are the portion of net assets resulting from contributions, pledges, and other inflows of assets whose use by the Agency is limited by donor-imposed restrictions that expire by the passage of time or usage, and the portion of net assets restricted by external parties (donors, grantors, or laws and regulations) in ways that are not dependent on the passage of time.

Method of Accounting: The Agency uses the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents: For purposes of reporting the Statement of Cash Flows, the Organization considers all cash accounts and all highly liquid debt instruments purchased with an original maturity of three (3) months or less to be cash equivalents. Restricted cash and cash equivalents, when applicable, consists of donations received designated for a specific use but not yet expended.

Accounts Receivable: Accounts receivable are amounts due from various agencies and entities for services performed under fee for service contracts. Management considers all amounts to be fully collectible, and therefore no allowance for doubtful accounts related to accounts or grants receivables have been recorded in the accompanying financial statements.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets: Contributed property and equipment are recorded at fair value on the date of donation. Contributions of property and equipment are recorded as unrestricted support, unless the donor stipulates how long the assets must be used.

Property and equipment purchased with Agency funds are capitalized at cost and depreciated over the useful estimated lives of the asset using the straight-line method. Amortization of building improvements is based on the estimated useful life of the improvements. Depreciation and amortization expense is charged against operations. Expenditures for property and equipment in excess of \$5,000 are capitalized.

Property and equipment purchased with grant funds are depreciated using the straight-line method over the estimated useful life of the assets. Depreciation of these assets is charged against grant funded assets in the Statement of Activities.

In the event of a contract termination, certain funding sources require title to property and equipment purchased with grant funds revert to the funding source. Certain funding sources also limit the use of property and equipment for specific programs and require approval for disposition of property and equipment.

The estimated useful lives for the various types of assets are as follows:

|           |              |
|-----------|--------------|
| Equipment | 5 - 15 years |
|-----------|--------------|

Interfund Payable: Certain costs are incurred by the Agency during the current period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The Agency's Interfund Payable balances were \$116,903 and \$475,310 as of June 30, 2021 and 2020, respectively.

Refundable Advances: Transportation Development Act ("TDA") Local Transportation Funds received but not expended in the program year are deferred and carried forward to the subsequent year. Interest earned on carryover funds is included as current year revenues on the Statement of Activities.

Support and Revenue: The Agency receives support primarily through contributions received from various donors. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other temporarily or permanently restricted donor support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

The Agency follows the recommendations of FASB ASU 2018-18, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Under this FASB ASU, the Organization accounts for contributions received and contributions made, whether as a contribution or an exchange transaction, and whether a contribution is conditional.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: The Agency is a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Corporate Code. The Organization is subject to taxation on any unrelated business income.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Allocation of Expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Expenses are charged to programs and supporting services on the basis of program costs. Supporting services costs include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

**Governmental Accounting Standards Update:** During the year ending June 30, 2021, the Agency implemented the following standards with no financial impact on the financial statements:

**GASB Statement No. 84 – *Fiduciary Activities*.** The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

**GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*.** The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2020.

**GASB Statement No. 90 – *Majority Equity Interests - an amendment of GASB Statements No. 14 and No 61*.** The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

Released GASB Statements to be implemented in future financial statements are as follows:

**GASB Statement No. 87 – *Leases*.** The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

**GASB Statement No. 91 – *Conduit Debt Obligations*.** The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

**GASB Statement No. 92 – *Omnibus 2020*.** The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

**GASB Statement No. 93 – *Replacement of Interbank Offered Rates*.** The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the certain requirements of this statement to reporting periods beginning after June 15, 2022.

**GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.** The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

**GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*.** The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

**GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.** The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through May 26, 2022, which is the date the financial statements were available to be issued.

**NOTE 2 – CAPITAL ASSETS**

Capital assets activity for the years ended June 30, 2021 and 2020 were as follows:

|                               | <u>2021</u>      | <u>2020</u>      |
|-------------------------------|------------------|------------------|
| Equipment                     | \$ 868,442       | \$ 868,442       |
| Total                         | <u>868,442</u>   | <u>868,442</u>   |
| Less accumulated depreciation | <u>849,659</u>   | <u>784,650</u>   |
| Property and equipment, net   | <u>\$ 18,783</u> | <u>\$ 83,792</u> |

The amount recorded for depreciation for years ended June 30, 2021 and 2020 was \$65,420 and \$92,620; respectively.

**NOTE 3 – PENSION PLAN**

The Agency contributes to a defined contribution pension plan which covers substantially all employees of the Agency. Generally, the Agency contributes an amount equal to five percent (5%) of the compensation earned by each eligible employee. Employer contributions are vested immediately. Annual contributions are disclosed in the Agency's organization-wide audit.

**NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Agency's liquidity and availability of financial assets are reported on the Agency's annual audit. Rural CTSA's financial assets primarily consists of accounts receivable.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 5 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS**

Section 6633: Pursuant to Section 6633.2 of the California Administrative Code, the Agency is required to meet a passenger fare revenue recovery ratio of 55% for rural fixed services.

The ratios for the fiscal years ended June 30, 2021 and 2020 are 87.09% and 78.52% respectively. The Agency's passenger fare recovery ratio for the rural services with fixed routes is as follows at June 30, 2021 and 2020, respectively:

|  | <b>2021</b>         | <b>(Restated)<br/>2020</b> |
|--|---------------------|----------------------------|
| Allowable TDA Fare Revenues:   |                     |                            |
| Special Transit Fares  | \$ 578,437          | \$ 1,198,342               |
| School Bus Revenue   | <u>296,387</u>      | <u>492,912</u>             |
| Fare Revenue   | <u>\$ 874,824</u>   | <u>\$ 1,691,254</u>        |
| Total Operating Expenses   | \$ 1,069,971        | \$ 2,320,040               |
| Allowable TDA Adjustments:   |                     |                            |
| Depreciation   | <u>(65,420)</u>     | <u>(92,620)</u>            |
| Net Operating Expenses   | <u>\$ 1,004,551</u> | <u>\$ 2,227,420</u>        |
| Fare Revenue Ratio   | 87.09%              | 75.93%                     |
| Ratio of Local Support Revenues to<br>Operating Costs Minus Exclusions | 89.94%              | 82.00%                     |



**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 6 – REFUNDABLE ADVANCES**

Refundable advances of the Agency for the years ended June 30, 2021 and 2020 are as follows:

|   | <b>2021</b>       |                |                   |
|---|-------------------|----------------|-------------------|
|   | <b>Operations</b> | <b>Capital</b> | <b>Total</b>      |
| Amount approved and allocated by<br>Fresno Council of Governments (4.5 LTF Funds) | \$ 576,069        | \$ -           | \$ 576,069        |
| Carryover available   | 87,652            | -              | 87,652            |
| Prior period adjustment   | (73,497)          | -              | (73,497)          |
| Total allocation  | <u>\$ 590,224</u> | <u>\$ -</u>    | <u>\$ 590,224</u> |
| Net reimbursable costs submitted<br>by the Agency Rural CTSA                      | <u>\$ 129,727</u> | <u>\$ -</u>    | <u>\$ 129,727</u> |
| Net amount disbursed during the year  | <u>129,727</u>    | <u>-</u>       | <u>129,727</u>    |
| Amount available for carryover  | <u>\$ 460,497</u> | <u>\$ -</u>    | <u>\$ 460,497</u> |
|   | <b>2020</b>       |                |                   |
|   | <b>Operations</b> | <b>Capital</b> | <b>Total</b>      |
| Amount approved and allocated by<br>Fresno Council of Governments (4.5 LTF Funds) | \$ 550,952        | \$ -           | \$ 550,952        |
| Total allocation  | <u>\$ 550,952</u> | <u>\$ -</u>    | <u>\$ 550,952</u> |
| Net reimbursable costs submitted<br>by the Agency Rural CTSA                      | <u>\$ 463,300</u> | <u>\$ -</u>    | <u>\$ 463,300</u> |
| Net amount disbursed during the year  | <u>463,300</u>    | <u>-</u>       | <u>463,300</u>    |
| Amount available for carryover  | <u>\$ 87,652</u>  | <u>\$ -</u>    | <u>\$ 87,652</u>  |

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**NOTE 7 – ECONOMIC DEPENDENCY**

The TDA Fund of the Agency received the majority of its funding from one source, by Section 99400(a) of the Public Utilities Code. The total amount of funding received from the Public Utilities Code was \$322,481 and \$463,500, or 26.93% and 21.50%, of the total funding for the years ending June 30, 2021 and 2020, respectively. The TDA Fund of the Agency is thus subject to possible risk of reductions in services and/or closure due to potential future changes of Section 99400(a) of the Public Utilities Code.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

Coronavirus Pandemic: Management has determined the events regarding the novel coronavirus require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to the novel coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by government authorities to contain the outbreak or treat its impact are uncertain. A vaccination has been created and is being administered throughout the state, including the Agency's service area. The ultimate impact of COVID-19 on the operations and finances of the Agency remains unknown.

**NOTE 9 – PRIOR PERIOD RESTATEMENT**

A prior period restatement of (\$73,497) was recorded to properly restate the opening balance of the refundable advances and accrued compensation and benefits as of June 30, 2020. This adjustment also resulted in an increase to Local Transportation Fund revenues and support, along with an increase in program services expenses of \$73,497. The adjustment was made to properly record the effect of the salary and vacation accrual for the prior period. The adjustment had no impact or overall change in net assets as of June 30, 2020, or the total change in net assets for the year ended June 30, 2020. The restatement was a reclass in liabilities, along with an increase in revenues and expenses.



**INDEPENDENT AUDITORS' 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 AND THE TRANSPORTATION DEVELOPMENT ACT**

To the Board of Commissioners of the  
Fresno Economic Opportunities Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fresno Economic Opportunities Commission's Rural Consolidated Transportation Service Agency (the Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated May 26, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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. During our audit we did identify a deficiency in internal control, described in the accompanying schedule of findings and questions costs that we consider to be a material weakness; 2021-001.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable statutes, rules and regulations of the Transportation Development Act, including Public Utilities Code Section 99245 as enacted and amended by statute through June 30, 2021, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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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. Our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Transportation Development Act.

**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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Transportation Development Act in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
May 26, 2022

DRAFT

**FRESNO ECONOMIC  
OPPORTUNITIES COMMISSION**

**RURAL CONSOLIDATED TRANSPORTATION  
SERVICE AGENCY**

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**FINDINGS AND QUESTIONED COSTS**

DRAFT

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of auditors' report issued:

Unmodified

Internal control over financial reporting

- Material weakness identified? \_\_\_\_\_ X \_\_\_\_\_ Yes \_\_\_\_\_ No
- Significant deficiency(ies) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No

DRAFT

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
FOR THE YEAR ENDED JUNE 30, 2021**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2021-001 – Material Weakness  
Financial Close & Reporting**

Condition:

During the audit of the Agency's financial statements, we identified material misstatements in the Agency's general ledger account balances which required material audit adjustments. These adjustments were noted in accrued compensation and benefits for the accrual of wages and compensated absences at year end, as well as adjustments in the refundable advances and revenue balances.

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all assets, liabilities, revenues and expenses are properly recorded and reported. Furthermore, proper accounting principles should be applied to all financial closing accounts and processes, thus resulting in the proper presentation of all Agency activities and/or funds.

Cause:

The Agency lacked proper closing procedures and adequate review processes to ensure all account balances and transactions were properly recorded and reconciled at year-end.

Effect:

Material adjustments were identified through audit procedures performed which resulted in adjustments to accrued compensation and benefits, refundable advances and revenue balances to ensure proper presentation in accordance with generally accepted accounting standards.

Recommendation:

We recommend that the Agency continue to work on clarifying roles and responsibilities during the year-end closing process, enhancing the process to ensure that all accounting records are properly reflected in the financial statements prior to the commencement of the audit.

Management Response:

Fiscal year 2021 provided a number of challenges and changes including coronavirus, sheltering in place, and several key staffing changes within the Fresno EOC Finance Department.

Fresno EOC has instituted several leadership and financial changes to address these issues. Fresno EOC hired new leadership, a chief financial officer and an executive director, respectively.

**SECTION III – FEDERAL AND STATE AWARD FINDINGS**

There are no federal or state award findings to be reported in accordance with the Transportation Development Act Audit Guide.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION  
RURAL CONSOLIDATED TRANSPORTATION AGENCY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no prior year financial statement findings.

**SECTION III – FEDERAL AND STATE AWARD FINDINGS**

There were no prior year federal or state award findings.

DRAFT



**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN**

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**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL SCHEDULE**

**FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Pension Committee  
of the Fresno Economic Opportunities Commission

### Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Fresno Economic Opportunities Commission Pension Plan (the Plan), which comprise the statement of net assets available for benefits as of December 31, 2020, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by State Street Bank and Trust Company, the custodian of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the custodian as of and for the years ended December 31, 2020 and 2019, that the information provided to the plan administrator by the custodian is complete and accurate.

### Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

## **Other Matters**

### *Supplemental Schedule*

The supplemental schedule, Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2020, is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedule referred to above.

### *Other Information*

The financial statements of the Plan as of and for the year ended December 31, 2019 were audited by predecessor auditors and they expressed a disclaimer of opinion in their report dated August 20, 2020, but they have not performed any auditing procedures since that date.

## **Report on Form and Content in Compliance With DOL Rules and Regulations**

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California  
May 20, 2022

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**  
**DECEMBER 31, 2020 AND 2019**

|  | 2020                        | 2019                        |
|--|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |                             |                             |
| Investments:                             |                             |                             |
| Investments at fair value                | \$ 39,484,822               | \$ 36,428,808               |
| Investments at contract value            | <u>563,917</u>              | <u>384,198</u>              |
| Total investments                        | <u>40,048,739</u>           | <u>36,813,006</u>           |
| Receivables:                             |                             |                             |
| Employer contributions                   | <u>69,947</u>               | <u>69,999</u>               |
| Total receivables                        | <u>69,947</u>               | <u>69,999</u>               |
| Total assets                             | <u>40,118,686</u>           | <u>36,883,005</u>           |
| <b>LIABILITIES</b>                       |                             |                             |
| None                                     | <u>-</u>                    | <u>-</u>                    |
| Total liabilities                        | <u>-</u>                    | <u>-</u>                    |
| <b>Net Assets Available for Benefits</b> | <u><u>\$ 40,118,686</u></u> | <u><u>\$ 36,883,005</u></u> |

The accompanying notes are integral part of the financial statements.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN  
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

|  | 2020          | 2019          |
|--|---------------|---------------|
| <b>Additions to net assets attributed to:</b>    |               |               |
| Investment income:                               |               |               |
| Net appreciation in fair value of investments    | \$ 3,984,885  | \$ 5,816,332  |
| Interest   | 15,553        | 10,339        |
| Dividends  | 970,077       | 789,800       |
|  | <hr/>         | <hr/>         |
| Total investment income                          | 4,970,515     | 6,616,471     |
|  | <hr/>         | <hr/>         |
| Less investment expenses                         | 90,944        | 93,236        |
|  | <hr/>         | <hr/>         |
| Total investment income, net                     | 4,879,571     | 6,523,235     |
|  | <hr/>         | <hr/>         |
| Contributions:                                   |               |               |
| Employer   | 1,694,543     | 1,669,098     |
|  | <hr/>         | <hr/>         |
| Total contributions                              | 1,694,543     | 1,669,098     |
|  | <hr/>         | <hr/>         |
| Total additions                                  | 6,574,114     | 8,192,333     |
|  | <hr/>         | <hr/>         |
| <b>Deductions from net assets attributed to:</b> |               |               |
| Benefits paid to participants                    | 3,218,070     | 2,054,365     |
| Administrative expenses                          | 120,363       | 73,752        |
|  | <hr/>         | <hr/>         |
| Total deductions                                 | 3,338,433     | 2,128,117     |
|  | <hr/>         | <hr/>         |
| Net increase                                     | 3,235,681     | 6,064,216     |
|  | <hr/>         | <hr/>         |
| <b>Net assets available for benefits:</b>        |               |               |
| Beginning of Year                                | 36,883,005    | 30,818,789    |
|  | <hr/>         | <hr/>         |
| End of Year                                      | \$ 40,118,686 | \$ 36,883,005 |
|  | <hr/> <hr/>   | <hr/> <hr/>   |

The accompanying notes are integral part of the financial statements.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – DESCRIPTION OF PLAN**

The following description of the Fresno Economic Opportunities Commission Pension Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General: The Plan is a defined contribution plan covering eligible employees of Fresno Economic Opportunities Commission (Fresno EOC) who have completed one year of service with at least 1,000 hours worked and are age 21 or older. The Plan was initially established on December 30, 1980. The Plan was amended and restated on April 1, 2016. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan's Pension Committee is responsible for the oversight of the Plan and the appropriateness of the Plan's investment offerings.

Contributions: Fresno EOC contributes to the Plan an amount equal to five percent of eligible employee's compensation during the Plan year.

Participant Accounts: Each participant's account is credited with the Employer's contributions and an allocation of Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

An individual account is maintained for each participant, which includes the following components:

1. Employer contributions
2. The participant's pro rata share of net investment income
3. The participant's pro rata share of plan expenses
4. Deductions for benefits paid to participants

Vesting: Participants are vested immediately in the employer contributions plus actual earnings thereon.

Participant Loans: The Plan does not permit loans to participants.

Payment of Benefits: On termination of service due to death, disability, or retirement at the normal retirement age of 65, a participant may elect to receive the value of the vested interest in his or her account as a lump-sum distribution, installment payments, or qualified survivor annuity.

Benefit payments for active employees that cease to participate in the Plan by reason of total or permanent disability will be paid in the same manner as the retirement benefit.

If an active employee dies before normal retirement age, the accrued benefit and death benefits payable under any policies of life insurance held for the employee's benefit shall be paid to the surviving spouse in the form of a qualified pre-retirement survivor annuity. If the qualified pre-retirement survivor annuity has been effectively waived, accrued benefits shall be paid to the designated beneficiary in monthly payments over the beneficiary's life expectancy, or in a lump sum if the employee previously elected this form of benefit payment.

The Plan will make involuntary cash outs of account balances of terminated vested participants of \$1,000 or less. Eligible Rollover Distributions of account balances greater than \$1,000 but less than \$5,000 will be subject to the automatic rollover requirement.

The Plan does not permit in-service distributions and Safe and Non-Safe Harbor Hardship withdrawals.

Forfeited Accounts: The balance in each employee's account is 100% non-forfeitable.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting: The financial statements of the Plan are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein. Actual results could differ from those estimates.

Investment Valuation and Income Recognition: Investments are reported at fair value, except for fully benefit-response investment contracts, which are reported at contract value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan's trustees determine the Plan's valuation policies utilizing information provided by the investment advisors and custodian. See Note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Mutual fund unit values are established by dividing the net value of each fund by the number of units outstanding on the valuation date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Payment of Benefits: Benefits are recorded when paid.

Administrative Expenses: Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the Plan sponsor. Expenses that are paid by the Plan sponsor are excluded from these financial statements. Certain fees related to the administration of the Plan are charged directly to the participant's account and are included in administrative expenses. Certain fees related to investment advisory services to the Plan are charged directly to the Participant's account and are included in investment expenses. Other investment related expenses are included in net appreciation (depreciation) in the fair value of investments.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosures in accordance with accounting standards. These subsequent events have been evaluated through May 20, 2022, the date which the financials were available to be issued.

**NOTE 3 – INFORMATION PREPARED AND CERTIFIED BY CUSTODIAN**

The Plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosures under ERISA. Accordingly, State Street Bank and Trust Company, the custodian of the Plan, has certified as being complete and accurate the investments on the Statements of Net Assets Available for Benefits, the investment activity reflected in the Statements of Changes in Net Assets Available for Benefits, and the investment information included in the supplemental schedule, Schedule H, Line 4i – Schedule of Assets (Held at End of Year) of the financial statements as of and for years ended December 31, 2020 and 2019. Accordingly, as permitted under such election, the Plan administrator instructed the Plan's independent auditors not to perform any additional auditing procedures with respect to the information certified as complete and accurate by the Plan's custodian for their respective periods.



**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 3 – INFORMATION PREPARED AND CERTIFIED BY CUSTODIAN (continued)**

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified to as complete and accurate by the custodian:

|   | 2020          | 2019          |
|---|---------------|---------------|
| Investments at fair value                     | \$ 39,484,822 | \$ 36,428,808 |
| Investment at contract value                  | \$ 563,917    | \$ 384,198    |
| Investment income:                            |               |               |
| Net appreciation in fair value of investments | \$ 3,984,885  | \$ 5,816,332  |
| Interest                                      | \$ 15,553     | \$ 10,339     |
| Dividends                                     | \$ 970,077    | \$ 789,800    |

**NOTE 4 – INVESTMENTS**

The Plan provides that contributions to the Plan will be invested in certain individual programs offered by State Street Bank and Trust Company and as directed by each participant. Participants may change their investment options as desired.

**NOTE 5 – FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2      Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 5 – FAIR VALUE MEASUREMENTS (continued)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019 and there have been no transfers between levels during the years ended December 31, 2020 and 2019.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Plan at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table lists assets at fair value as of December 31, 2020 and 2019:

| <b>December 31, 2020</b>        | <b>Level 1</b>       | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>         |
|---------------------------------|----------------------|----------------|----------------|----------------------|
| Mutual funds                    | \$ 39,484,822        | \$ -           | \$ -           | \$ 39,484,822        |
| Total investments at fair value | <u>\$ 39,484,822</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 39,484,822</u> |
| <b>December 31, 2019</b>        | <b>Level 1</b>       | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>         |
| Mutual funds                    | \$ 36,428,808        | \$ -           | \$ -           | \$ 36,428,808        |
| Total investments at fair value | <u>\$ 36,428,808</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 36,428,808</u> |

**NOTE 6 – RELATED PARTY AND PARTY-IN-INTEREST TRANSACTIONS**

Certain Plan investments are managed by State Street Bank and Trust Company. State Street Bank and Trust Company is the custodian as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions. Transamerica Retirement Solutions is the Plan's broker and qualifies as a party-in-interest with respect to the investments managed by Transamerica Retirement Solutions. Fees incurred by the Plan for investment and management services by State Street Bank and Trust Company and Transamerica Retirement Solutions were \$120,363 and \$73,752 for the years ended December 31, 2020 and 2019, respectively.

There were no transactions with any parties-in-interest that would be considered prohibited transactions by DOL regulations.

**NOTE 7 – PLAN TERMINATION**

Although it has not expressed any intent to do so, Fresno EOC has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 8 – TAX STATUS**

The Internal Revenue Service has provided a favorable determination to Fresno EOC in a letter dated January 3, 1994, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code. Furthermore, the Internal Revenue Service has provided a favorable determination in a letter dated March 31, 2014 that the form of the plan provided by the volume submitter is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and therefore believe that the Plan is qualified and the related trust is tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the taxing authorities. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examination for years prior to 2017.

**NOTE 9 – GUARANTEED INVESTMENT CONTRACT**

The Plan entered into a fully benefit-responsive guaranteed investment contract with an insurance company. The insurance company maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

Because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. The guaranteed investment contract is presented on the face of the Statements of Net Assets Available for Benefits at contract value. Contract value, as reported to the Plan by the insurance company, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2020 and 2019, was \$563,917 and \$384,198, respectively.

Certain events limit the Plan's ability to transact at contract value with the insurance company. Such events include the following: (a) amendments to the plan documents (including complete and partial plan termination or merger with another plan) or (b) bankruptcy of the plan sponsor or plan sponsor events that cause significant withdrawal from the plan. The Plan administrator does not believe that any events that would limit the Plan's ability to transact at contract value with Plan participants or the issuer are probable of occurring.

The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 10 – RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

**NOTE 11 – CONTINGENCIES**

Coronavirus Pandemic: Management has determined the events regarding the Novel Coronavirus (COVID-19) require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a State of emergency in California due to COVID-19. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. A vaccine has been created and is being administered throughout the state. The ultimate impact of COVID-19 on the Plan is unknown.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN**

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**SUPPLEMENTAL SCHEDULE**

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION PENSION PLAN**  
**SCHEDULE H, Line 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR)**  
**DECEMBER 31, 2020**

Employer Identification # 94-1606519

Plan Number 001

| <b>(a)</b> | <b>(b) Identity of Issuer,<br/>Borrower, Lessor, or<br/>Similar Party</b> | <b>(c) Description of Investment including Maturity Date,<br/>Rate of Interest, Collateral, Par or Maturity Value</b> | <b>(d) Cost</b> | <b>(e) Current<br/>Value</b> |
|------------|---|---|-----------------|------------------------------|
|            | American Beacon   | American Beacon Bridgeway Large Cap Value Instl   | **              | \$ 82,541                    |
|            | American Beacon   | American Beacon Intn'l Equities Instl   | **              | 191,147                      |
|            | American Funds  | American Funds New Perspective R6   | **              | 256,571                      |
|            | American Funds  | American Funds New World R6   | **              | 6,479                        |
|            | Calvert   | Calvert Small Cap I   | **              | 298                          |
|            | Calvert   | Calvert US Large Cap Core Responsible Index I   | **              | 16,090                       |
|            | Eaton Vance   | Eaton Vance High Income Opportunities I   | **              | 3,430                        |
|            | Fidelity  | Fidelity Total Bond   | **              | 380,767                      |
|            | Goldman Sachs   | Goldman Sachs Intl Small Cap Insights I   | **              | 517                          |
|            | Invesco   | Invesco Equity and Income R6  | **              | 227,991                      |
|            | JP Morgan   | JPMorgan Mid Cap Growth R6  | **              | 134,210                      |
|            | Pax World   | Pax World Global Envrnmntl Markets Instl  | **              | 61,889                       |
|            | PIMCO   | PIMCO Income Instl  | **              | 11,004                       |
|            | PIMCO   | PIMCO Foreign Bond (Hedged) Instl   | **              | 56,910                       |
|            | PIMCO   | PIMCO RealPath Blend 2025 instl   | **              | 5,329,625                    |
|            | PIMCO   | PIMCO RealPath Blend 2030 instl   | **              | 6,105,724                    |
|            | PIMCO   | PIMCO RealPath Blend 2035 instl   | **              | 5,223,057                    |
|            | PIMCO   | PIMCO RealPath Blend 2040 instl   | **              | 4,454,277                    |
|            | PIMCO   | PIMCO RealPath Blend 2045 instl   | **              | 2,539,245                    |
|            | PIMCO   | PIMCO RealPath Blend 2050 instl   | **              | 1,038,464                    |
|            | PIMCO   | PIMCO RealPath Blend 2055 instl   | **              | 393,838                      |
|            | PIMCO   | PIMCO RealPath Blend Income instl   | **              | 11,434,492                   |
|            | PIMCO   | PIMCO StocksPLUS Small Instl  | **              | 64,605                       |
| *          | State Street  | State Street Instl US Govt Money Market Premier   | **              | 67                           |
|            | T. Rowe Price   | T. Rowe Price QM US Small-Cap Growth Equity   | **              | 95,302                       |
|            | T. Rowe Price   | T. Rowe Price Personal Strategy Growth  | **              | 66                           |
|            | Vanguard  | Vanguard 500 Index Adm  | **              | 566,651                      |
|            | Vanguard  | Vanguard Growth Index Adm   | **              | 95,617                       |
|            | Vanguard  | Vanguard LifeStrategy Conservative Growth   | **              | 113,987                      |
|            | Vanguard  | Vanguard Mid Cap Value Index Adm  | **              | 179,347                      |
|            | Vanguard  | Vanguard Small Cap Value Index Adm  | **              | 116,195                      |
|            | Vanguard  | Vanguard Strategic Equity   | **              | 905                          |
|            | Vanguard  | Vanguard Total International Stock Index Adm  | **              | 303,514                      |
|            | Stable  | Standard Stable Asset Fund II   | **              | 563,917                      |
|            |   |   |                 | <u><u>\$ 40,048,739</u></u>  |

\* Indicates a party-in-interest, as defined by ERISA

\*\* Cost information not required as per Special Rule for certain participant directed transactions

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN**

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**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL SCHEDULES**

**FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Administrative Committee of  
the Fresno Economic Opportunities Commission 403(b) Plan

### Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Fresno Economic Opportunities Commission 403(b) Plan (the Plan), which comprise the statement of net assets available for benefits as of December 31, 2020, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by State Street Bank and Trust Company, the custodian of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the custodian as of and for the years ended December 31, 2020 and 2019, that the information provided to the plan administrator by the custodian is complete and accurate.

### Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### Other Matters

The supplemental schedules of Schedule H, Line 4a – Schedule of Delinquent Participant Contributions and Schedule H, Line 4i – Schedule of Assets (Held at End of Year) for the year ended December 31, 2020, is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedules referred to above.

### *Other Information*

The financial statements of the Plan as of and for the year ended December 31, 2019 were audited by predecessor auditors and they expressed an unmodified opinion in their report dated August 20, 2020, but they have not performed any auditing procedures since that date.

### **Report on Form and Content in Compliance With DOL Rules and Regulations**

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the asset custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

HUDSON HENDERSON & COMPANY, INC.

*Hudson Henderson & Company, Inc.*

Fresno, California  
May 20, 2022

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2020 AND 2019**

**ASSETS**

|  | <b>2020</b>                    | <b>2019</b>                    |
|--|--------------------------------|--------------------------------|
| <b>Investments:</b>                          |                                |                                |
| Investments at fair value                    | \$ 5,742,828                   | \$ 4,014,230                   |
| Investments at contract value                | <u>382,812</u>                 | <u>329,232</u>                 |
| <br>Total investments                        | <br><u>6,125,640</u>           | <br><u>4,343,462</u>           |
| <br><b>Receivables:</b>                      |                                |                                |
| Participant contributions                    | 55,252                         | 39,060                         |
| Notes receivable from participants           | 26,413                         | 24,279                         |
| Other receivable                             | <u>178</u>                     | <u>235</u>                     |
| <br>Total receivables                        | <br><u>81,843</u>              | <br><u>63,574</u>              |
| <br>Total assets                             | <br><u>6,207,483</u>           | <br><u>4,407,036</u>           |
| <br><b>LIABILITIES</b>                       |                                |                                |
| None   | <u>-</u>                       | <u>-</u>                       |
| Total liabilities                            | <u>-</u>                       | <u>-</u>                       |
| <br><b>Net assets available for benefits</b> | <br><u><u>\$ 6,207,483</u></u> | <br><u><u>\$ 4,407,036</u></u> |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN  
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

|  | 2020         | 2019         |
|--|--------------|--------------|
| <b>Additions to net assets attributed to:</b>                |              |              |
| Investment income:   |              |              |
| Net appreciation (depreciation) in fair value of investments | \$ 615,992   | \$ 590,302   |
| Interest   | 8,615        | 8,180        |
| Dividends  | 117,517      | 80,843       |
|  | <hr/>        | <hr/>        |
| Total investment income (loss)                               | 742,124      | 679,325      |
|  | <hr/>        | <hr/>        |
| Less investment expenses                                     | 11,864       | 9,650        |
|  | <hr/>        | <hr/>        |
| Total investment income (loss), net                          | 730,260      | 669,675      |
|  | <hr/>        | <hr/>        |
| Interest income on notes receivable                          | 1,230        | 1,310        |
|  | <hr/>        | <hr/>        |
| Contributions:   |              |              |
| Participant  | 1,193,938    | 953,320      |
| Rollover   | 62,966       | 76,864       |
|  | <hr/>        | <hr/>        |
| Total contributions  | 1,256,904    | 1,030,184    |
|  | <hr/>        | <hr/>        |
| Transfers to the Plan  | -            | 10,809       |
|  | <hr/>        | <hr/>        |
| Total additions  | 1,988,394    | 1,711,978    |
|  | <hr/>        | <hr/>        |
| <b>Deductions from net assets attributed to:</b>             |              |              |
| Benefits paid to participants                                | 169,894      | 248,000      |
| Administrative expenses                                      | 18,053       | 11,622       |
|  | <hr/>        | <hr/>        |
| Total deductions   | 187,947      | 259,622      |
|  | <hr/>        | <hr/>        |
| Net increase (decrease) in net assets available for benefits | 1,800,447    | 1,452,356    |
|  | <hr/>        | <hr/>        |
| <b>Net assets available for benefits:</b>                    |              |              |
| Beginning of year  | 4,407,036    | 2,954,680    |
|  | <hr/>        | <hr/>        |
| End of year  | \$ 6,207,483 | \$ 4,407,036 |
|  | <hr/>        | <hr/>        |

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – DESCRIPTION OF PLAN**

The following description of the Fresno Economic Opportunities Commission 403(b) Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General: The Plan is a defined contribution plan covering eligible employees of Fresno Economic Opportunities Commission (the Organization) who work more than 20 hours per week and are not students performing services as defined in the Plan. Participants are eligible to make elective deferrals beginning on their hire date. The Administrative Committee is responsible for oversight of the Plan, determining the appropriateness for the Plan's investment offerings, and monitors investment performance. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions: Each year, participants may contribute a portion of pre-tax annual compensation and after-tax contributions up to the maximum amount allowable under Internal Revenue Service limits, as defined in the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollovers). Participants direct the investment of their contributions into various investment options offered by the Plan.

Participant Accounts: Each participant's account is credited with the participant's contributions and an allocation of Plan earnings. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan. Allocations are based on participant earnings, account balances, or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting: Participants are vested immediately in their contributions plus actual earnings thereon.

Notes Receivable from Participants: Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their account balance. The loans are secured by the balance in the participant's account and currently bear an interest rate between 4.25 to 6.50 percent, which is commensurate with local prevailing rates as determined quarterly by the Plan administrator. Principal and interest is paid directly by the participants via coupon payments.

Payment of Benefits: On termination of service due to death, disability, or retirement, a participant may elect to receive a lump-sum amount equal to the value of the participant's vested interest in their account.

If a mandatory payment is being made to a participant because his or her vested account balance in the Plan is more than \$1,000 but less than \$5,000, then the Plan will automatically roll over the distribution to an IRA if the participant does not make an affirmative election to either receive a rollover or a distribution.

Withdrawals from financial hardships are permitted provided they meet regulations prescribed by the Internal Revenue Service and are for severe and immediate financial need, as described in the Plan.

Forfeited Accounts: There are no forfeited amounts as participants are fully and immediately vested.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Method: The accompanying financial statements have been presented on the accrual basis of accounting.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsible investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statements of Changes in Net Assets Available for Benefits is prepared using the contract value basis for fully benefit-responsive investment contracts.

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

Investment Valuation and Income Recognition: Investments are reported at fair value, except for fully benefit-response investment contracts, which are reported at contract value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan's management determines the Plan's valuation policies utilizing information provided by Transamerica. See Note 4 for discussion of fair value measurements.

Purchases and sale of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Mutual fund unit values are established by dividing the net value of each fund by the number of units outstanding on the valuation date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Payment of Benefits: Benefits are recorded when paid.

Administrative Costs: Certain administrative costs are being paid for, on behalf of the Plan, by the Organization. Expenses that are paid by the Organization are excluded from these financial statements. Expenses relating to specific participant transactions (i.e. notes receivable) are charged directly against the appropriate participant's account. Investment related expenses are included in net appreciation (depreciation) in fair value of investments. Total expenses paid for by the Plan during the years ended December 31, 2020 and 2019 totaled \$18,053 and \$11,622, respectively.

Notes Receivable from Participants: Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expense and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2020 and 2019. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be in default, the participant loan balance is reduced and reclassified to a distribution. During the years ended December 31, 2020 and 2019, notes receivable from participants totaling \$9,886 and \$7,973, respectively, were in default and reclassified as distributions.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined no such events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through May 20, 2022, which is the date the financial statements were available to be issued.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 3 – INFORMATION CERTIFIED BY THE ASSET CUSTODIAN**

The Plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosures under ERISA. Accordingly, State Street Bank and Trust Company, the custodian of the Plan, has certified as being complete and accurate the investments on the Statements of Net Assets Available for Benefits, the investment activity reflected in the Statements of Changes in Net Assets Available for Benefits, and the investment information included in the supplemental schedule, Schedule H, Line 4i – Schedule of Assets (Held at End of Year) of the financial statements as of and for years ended December 31, 2020 and 2019. Accordingly, as permitted under such election, the Plan administrator instructed the Plan's independent auditors not to perform any additional auditing procedures with respect to the information certified as complete and accurate by the Plan's custodian for their respective periods. The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified to as complete and accurate by the custodian:

|  | <u>2020</u>  | <u>2019</u>  |
|--|--------------|--------------|
| Investments at fair value                                    | \$ 5,742,828 | \$ 4,014,230 |
| Investments at contract value                                | \$ 382,812   | \$ 329,232   |
| Investment income:   |              |              |
| Net appreciation (depreciation) in fair value of instruments | \$ 615,992   | \$ 590,302   |
| Interest   | \$ 8,615     | \$ 8,180     |
| Dividends  | \$ 117,517   | \$ 80,843    |
| Interest income on notes receivable                          | \$ 1,230     | \$ 1,310     |

**NOTE 4 – FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, delivers the framework which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2            Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 4 – FAIR VALUE MEASUREMENTS (continued)**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019 and there have been no transfers between levels during the years ended December 31, 2020 and 2019.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Plan at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments measured at fair value on a recurring basis as of December 31, 2020 and 2019:

| <b>December 31, 2020</b>        | <b>Level 1</b>      | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>        |
|---------------------------------|---------------------|----------------|----------------|---------------------|
| Mutual funds                    | \$ 5,742,828        | \$ -           | \$ -           | \$ 5,742,828        |
| Total investments at fair value | <u>\$ 5,742,828</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 5,742,828</u> |
| <b>December 31, 2019</b>        | <b>Level 1</b>      | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>        |
| Mutual funds                    | \$ 4,014,230        | \$ -           | \$ -           | \$ 4,014,230        |
| Total investments at fair value | <u>\$ 4,014,230</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 4,014,230</u> |

**NOTE 5 – GUARANTEED INVESTMENT CONTRACT**

The Plan entered into a fully benefit-responsive guaranteed investment contract with an insurance company. The insurance company maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

Because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. The guaranteed investment contract is presented on the face of the Statement of Net Assets Available for Benefits at contract value. Contract value, as reported to the Plan by the insurance company, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The contract value of the investment contract at December 31, 2020 and 2019, was \$382,812 and \$329,232, respectively.



**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 5 – GUARANTEED INVESTMENT CONTRACT (continued)**

Certain events limit the Plan's ability to transact at contract value with the insurance company. Such events include the following: (a) amendments to the plan documents (including complete and partial plan termination or merger with another plan) or (b) bankruptcy of the plan sponsor or plan sponsor events that cause significant withdrawal from the plan. The Plan administrator does not believe that any events that would limit the Plan's ability to transact at contract value with Plan participants or the issuer are probable of occurring.

The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

**NOTE 6 – PARTY-IN-INTEREST TRANSACTIONS**

During the year ended December 31, 2020, the Plan sponsor did not remit certain participant contributions to the Plan in a timely manner, as defined by ERISA. These instances will be corrected in the year ended December 30, 2022. These contributions are considered non-exempt party-in-interest transactions. It is the responsibility of management to estimate the lost income associated with the delay in contributions. These non-exempt transactions do not affect the tax status determination of the Plan.

Certain Plan investments are managed by State Street Bank and Trust Company. State Street Bank and Trust Company is the custodian as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions. Transamerica Retirement Solutions is the Plan's broker and qualifies as a party-in-interest with respect to the investments managed by Transamerica Retirement Solutions. Fees incurred by the Plan for investment and management services by State Street Bank and Trust Company and Transamerica Retirement Solutions were \$18,053 and \$11,622 for the years ended December 31, 2020 and 2019, respectively.

There were no transactions with any parties-in-interest that would be considered prohibited transactions by DOL regulations.

**NOTE 7 – PLAN TERMINATION**

Although it has not expressed any intent to do so, the Organization has the right under the Plan, at any time, to terminate the Plan subject to the provisions of ERISA.

**NOTE 8 – TAX STATUS**

403(b) plans currently are not required to submit plans to the Internal Revenue Services for determination, however, Plan management believes the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the taxing authorities. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2017.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 9 – RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

**NOTE 10 – CONTINGENCIES**

Coronavirus Pandemic: Management has determined the events regarding the Novel Coronavirus (COVID-19) require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a State of Emergency in California due to COVID-19. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. A vaccine has been created and is being administered throughout the state. The ultimate impact of COVID-19 on the Plan is unknown.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN**

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**SUPPLEMENTAL SCHEDULES**

**FOR THE YEAR ENDED  
DECEMBER 31, 2020**

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN**  
**SCHEDULE H, LINE 4a – SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Employer Identification # 94-1606519

Plan Number 002

| Participant Contributions<br>Transferred Late to Plan  | Total that Constitutes Nonexempt Prohibited Transactions |  |  | Total Fully<br>Corrected Under<br>VFCP and PTE<br>2002-51 |
|--|--|--|--|---|
|  | Contributions Not<br>Corrected                           | Contributions<br>Corrected Outside<br>VFCP | Contributions<br>Pending Correction<br>in VFCP |   |
| Check here if Late<br>Participant Loan<br>Repayments are Included:<br><input type="checkbox"/> |  |  |  |   |
| \$ 269,481   | \$ -   | \$ -                                       | \$ 269,481                                     | \$ -  |

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION 403(b) PLAN**  
**SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS (HELD AT END OF YEAR)**  
**DECEMBER 31, 2020**

Employer Identification # 94-1606519

Plan Number 002

| (a) | (b) Identity of Issuer,<br>Borrower, Lessor, or<br>Similar Party | (c) Description of Investment including Maturity<br>Date, Rate of Interest, Collateral, Par or Maturity<br>Value | (d) Cost | (e) Current<br>Value |
|-----|--|--|----------|----------------------|
|     | Standard   | Standard Stable Asset Fund II  | **       | \$ 382,812           |
|     | American Beacon  | American Beacon Bridgeway Large Cap Value Instl  | **       | 50,738               |
|     | American Beacon  | American Beacon Intn'l Equities Instl  | **       | 93,318               |
|     | American Funds   | American Funds New Perspective R6  | **       | 103,443              |
|     | American Funds   | American Funds New World R6  | **       | 12,981               |
|     | Calvert  | Calvert Small Cap I  | **       | 5,473                |
|     | Calvert  | Calvert US Large Cap Core Responsible Index I  | **       | 25,916               |
|     | Eaton Vance  | Eaton Vance High Income Opportunities I  | **       | 3,427                |
|     | Fidelity   | Fidelity Total Bond  | **       | 142,889              |
|     | Goldman Sachs  | Goldman Sachs Intl Small Cap Insights I  | **       | 8,612                |
|     | Invesco  | Invesco Equity and Income R6   | **       | 83,485               |
|     | JP Morgan  | JPMorgan Mid Cap Growth R6   | **       | 71,210               |
|     | Pax World  | Pax World Global Envrnmntl Markets Instl   | **       | 39,214               |
|     | PIMCO  | PIMCO Income Instl   | **       | 19,067               |
|     | PIMCO  | PIMCO Foreign Bond (Hedged) Instl  | **       | 20,337               |
|     | PIMCO  | PIMCO RealPath Blend 2025 instl  | **       | 465,947              |
|     | PIMCO  | PIMCO RealPath Blend 2030 instl  | **       | 698,260              |
|     | PIMCO  | PIMCO RealPath Blend 2035 instl  | **       | 674,454              |
|     | PIMCO  | PIMCO RealPath Blend 2040 instl  | **       | 781,147              |
|     | PIMCO  | PIMCO RealPath Blend 2045 instl  | **       | 323,028              |
|     | PIMCO  | PIMCO RealPath Blend 2050 instl  | **       | 212,850              |
|     | PIMCO  | PIMCO RealPath Blend 2055 instl  | **       | 124,919              |
|     | PIMCO  | PIMCO RealPath Blend Income instl  | **       | 1,005,310            |
|     | PIMCO  | PIMCO StocksPLUS Small Instl   | **       | 19,718               |
| *   | State Street   | State Street Instl US Govt Money Market Premier  | **       | 4                    |
|     | T. Rowe Price  | T. Rowe Price QM US Small-Cap Growth Equity  | **       | 40,675               |
|     | T. Rowe Price  | T. Rowe Price Personal Strategy Growth   | **       | 156                  |
|     | Vanguard   | Vanguard 500 Index Adm   | **       | 320,022              |
|     | Vanguard   | Vanguard Growth Index Adm  | **       | 105,457              |
|     | Vanguard   | Vanguard LifeStrategy Conservative Growth  | **       | 32,243               |
|     | Vanguard   | Vanguard Mid Cap Value Index Adm   | **       | 65,366               |
|     | Vanguard   | Vanguard Small Cap Value Index Adm   | **       | 54,305               |
|     | Vanguard   | Vanguard Strategic Equity  | **       | 6,002                |
|     | Vanguard   | Vanguard Total International Stock Index Adm   | **       | 132,855              |
|     |  |  |          | <u>6,125,640</u>     |
| *   |  | Participant Loans (4.25-6.50%)   |          | <u>26,413</u>        |
|     |  |  |          | <u>\$ 6,152,053</u>  |

\*Indicates a party-in-interest, as defined by ERISA

\*\*Cost information not required as per Special Rule for certain participant directed transactions