

**The Agricultural Foundation
of
California State University, Fresno**

**2017-18
Annual Report**

**Approved by the Board of Directors
September 14, 2018**

**THE AGRICULTURAL FOUNDATION OF
CALIFORNIA STATE UNIVERSITY, FRESNO
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**THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY,
FRESNO
CORPORATE INFORMATION
For the Fiscal Year Ended June 30, 2018**

BOARD OF DIRECTORS

Dr. Joseph I. Castro	Fresno, California
Mr. H. Clay Daulton	Madera, California
Mr. Joe Del Bosque	Los Banos, California
Mr. Daniel Errotabere	Fresno, California
Mr. Larry D. Layne	Sanger, California
Mr. Richard Matoian	Fresno, California
Ms. Dianne Nury	Fresno, California
Mr. Pat V. Ricchiuti	Clovis, California
Dr. Sandra Witte	Fresno, California
Ms. Sara Woolf	Fresno, California

CORPORATE OFFICERS

Mr. Pat V. Ricchiuti	Chair
Mr. Larry D. Layne	Vice Chair
Mr. Daniel Errotabere	Treasurer
Dr. Joseph I. Castro	Secretary

AUDIT COMMITTEE

Mr. Larry D. Layne, Chair	Sanger, California
Mr. Richard Matoian, Vice Chair	Fresno, California
Mr. Daniel Errotabere	Fresno, California
Mr. Lynn D. Hemink	Fresno, California

EXECUTIVE STAFF

Ms. Deborah S. Adishian-Astone	Executive Director
Ms. Kate Tuckness	Auxiliary Controller
Ms. Rina Gonzales (eff. 6/1/18)	Staff Counsel
Mr. John Melikian (7/1/18-5/31/18)	Staff Counsel

CORPORATE DATA

Executive Offices	2771 East Shaw Avenue Fresno, California 93710-8205 Telephone (559) 278-0800
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Auditors	Price Paige and Company 677 Scott Avenue Clovis, California 93612 Telephone (559) 299-9540
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Agricultural Foundation of
California State University, Fresno
Fresno, California

We have audited the accompanying financial statements of The Agricultural Foundation of California State University, Fresno (The Agricultural Foundation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Agricultural Foundation'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 Agricultural Foundation'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.

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Clovis, CA 93612

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Agricultural Foundation of California State University, Fresno as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information reflected on pages 18-21 is presented, as required by the Chancellor of the California State University, 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 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.

Price Pange & Company

Clovis, California
September 6, 2018

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2018

	2017	2018
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Notes 1 and 2)	\$ 1,593,775	\$ 1,168,447
Accounts Receivable	502,835	434,662
Allowance for Doubtful Accounts (Note 1)	(3,500)	(3,500)
Inventories at Cost and Unit Livestock Method (Notes 1 and 3)	622,444	638,174
Investment in Growing Crops (Note 1)	302,180	346,590
Prepaid Expenses	2,616	2,810
Total Current Assets	3,020,350	2,587,183
Noncurrent Assets:		
Restricted:		
Temporarily Restricted Cash (Note 2)	63,394	95,781
Total Restricted Assets	63,394	95,781
Other Assets:		
Long-Term Receivables (Note 4)	53,471	51,260
Investments (Note 5)	899,766	961,687
Total Other Assets	953,237	1,012,947
Fixed Assets: (Note 1)		
Breeding Herd	210,722	244,372
Equipment	2,569,279	2,602,458
Capitalized Development Costs	872,886	784,582
Construction In Progress	889,267	357,673
Total Fixed Assets	4,542,154	3,989,085
Less: Accumulated Depreciation	(2,692,177)	(2,769,814)
Total Fixed Assets, Net	1,849,977	1,219,271
Total Noncurrent Assets	2,866,608	2,327,999
Total Assets	\$ 5,886,958	\$ 4,915,182

The accompanying notes are an integral part of the financial statements

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2018

	2017	2018
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current Liabilities:		
Accounts Payable and Other Accrued Expenses	\$ 416,965	\$ 488,855
Deferred Revenue (Note 1)	619,836	1,341
Total Current Liabilities	1,036,801	490,196
Net Assets:		
Unrestricted:		
Undesignated	3,822,830	3,303,351
Designated:		
Agricultural Foundation Endowment Fund (Note 6)	899,766	961,687
VERC Reserve (Note 10)	64,167	64,167
Total Designated Net Assets	963,933	1,025,854
Total Unrestricted Net Assets	4,786,763	4,329,205
Restricted:		
Temporarily Restricted Net Assets (Note 11)	63,394	95,781
Total Restricted Net Assets	63,394	95,781
Total Net Assets	4,850,157	4,424,986
Total Liabilities and Net Assets	\$ 5,886,958	\$ 4,915,182

The accompanying notes are an integral part of the financial statements

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018

	2017	2018
Changes in Unrestricted Net Assets:		
Revenues:		
Gross Sales	\$ 5,122,179	\$ 5,091,710
Agricultural Operations Support/(Deficit)	160,000	812,104
Donated Income	537,341	517,132
Interest Income	43,803	52,615
Unrealized Gain(Loss) on Investments	46,941	23,754
	5,910,264	6,497,315
Expenses and Losses:		
Cost of Sales	1,571,488	1,530,840
Salaries/Wages (Note 1)	2,263,414	2,323,509
Employee Benefits (Note 1)	254,127	273,663
Advertising	14,547	8,939
Audit Fees	20,750	20,380
Awards/Premiums	38,454	32,646
Bad Debt	1,662	1,940
Capitalized Development Costs-Depreciation	23,093	25,894
Custom Harvesting	74,722	81,573
Depreciation	167,381	143,025
Donations	794	652,441
Equipment Rental/Repair	427,791	425,269
Infrastructure Improvements	2,052	0
Insurance	58,623	58,575
Licenses/Dues/Fees	62,024	57,705
Livestock Expense	160,584	169,136
Management Services Fee	164,000	172,200
Miscellaneous	52,819	69,986
Office Supplies/Duplicating	7,077	10,051
Postage/Freight	10,917	9,123
Supplies	689,546	746,194
Travel	6,719	5,625
Utilities	120,597	136,159
	6,193,181	6,954,873
Total Expenses and Losses	6,193,181	6,954,873
Increase(Decrease) in Unrestricted Net Assets	(282,917)	(457,558)

The accompanying notes are an integral part of the financial statements

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018

	2017	2018
Changes in Temporarily Restricted Net Assets:		
Revenues:		
Donation Income	60,000	62,500
Release from Restrictions:		
Transfer to Orchard	(24,500)	0
Transfer to Poultry	(27,019)	(30,113)
Increase/(Decrease) in Temporarily Restricted Net Assets	8,481	32,387
Increase/(Decrease) in Net Assets	(274,436)	(425,171)
Total Net Assets Beginning	5,124,593	4,850,157
Total Net Assets Ending	\$ 4,850,157	\$ 4,424,986

The accompanying notes are an integral part of the financial statements

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2018

	2017	2018
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ (274,436)	\$ (425,171)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Depreciation	190,474	168,919
Unrealized (Gain) Loss on Investments	(46,941)	(23,754)
Donation Expense (Income) of Fixed Assets	(22,111)	652,104
Changes In:		
Accounts Receivable	(234,582)	68,174
Inventories	(13,838)	(15,730)
Investment in Growing Crops	19,494	(44,410)
Prepaid Expenses	(472)	(194)
Accounts Payable and Accrued Expenses	89,860	71,888
Deferred Revenue	619,636	(618,495)
	327,084	(166,669)
Net Cash Provided (Used) in Operating Activities		
Cash Flows from Investing Activities		
(Increase) Decrease in Long-Term Receivables	(5,104)	2,211
Net Change in Breeding Herd	34,620	(32,746)
Acquisition of Equipment and Capitalized Development Costs	(858,759)	(157,570)
Investment Income Reinvested	(34,249)	(38,167)
	(863,492)	(226,272)
Net Cash Provided (Used) in Investing Activities		
Net Increase(Decrease) in Cash	(536,408)	(392,941)
Cash and Cash Equivalents at Beginning of Year	2,193,577	1,657,169
	1,657,169	1,264,228
Cash and Cash Equivalents at End of Year	\$ 1,657,169	\$ 1,264,228
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Taxes	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2018

Note 1 - Summary of Significant Accounting Policies

The Agricultural Foundation of California State University, Fresno (The Agricultural Foundation) was incorporated on December 3, 1954 as a non-profit corporation. The Agricultural Foundation was formed and is operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of California State University, Fresno (the "University"). The Agricultural Foundation is supported primarily by sales of products from the various operating units. For the year ended June 30, 2017, approximately 13% and 12% of the Agricultural Foundation's revenue was from sales by the Dairy and Mature Orchard, respectively. For the year ended June 30, 2018, approximately 13% and 11% of The Agricultural Foundation's revenue was from sales by the Mature Orchard and Dairy, respectively.

The Agricultural Foundation maintains its accounting records and prepares its financial statements on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when goods or services are received.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts and money market funds with financial institutions. The Agricultural Foundation considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. At June 30, 2018, the FDIC insures cash balances held in interest and noninterest-bearing accounts combined up to \$250,000. At June 30, 2017 and 2018, The Agricultural Foundation's uninsured cash balances at Citibank totaled \$686,894 and \$732,350 respectively.

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Net Assets

Undesignated Net Assets: This category is maintained to account for those transactions related to all activities not covered in a specific fund and which relate in general to the full scope of operations of the auxiliary organization, including accounting for the revenue and expenses of various agricultural units. These funds are appropriated in accordance with the policies established by the Trustees of The California State University (Trustees), the campus, and the auxiliary organization.

Designated Net Assets: When appropriations are made by the Board of Directors (the "Board") for a specific purpose, they are classified as designated net assets.

Temporarily Restricted Net Assets: This category represents net assets whose use has been limited by donors to later periods of time or after specified dates or to specified purposes.

Permanent Net Assets: This category represents net assets required by the donor to be maintained permanently and invested in perpetuity. There are currently no permanent net assets.

Note 1 – Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Allowance for doubtful accounts at June 30, 2017 and 2018 were \$3,500 each year.

Inventories

Raised and donated inventory of animals held for sale is carried at maximum raised value established by the Board. Such values for all animal units were last reviewed in 2015. Inventory values are equivalent to average cost to raise to maturity. Purchased animals held for sale are valued at cost. Cost of supply inventories are determined using the first-in, first-out method (FIFO).

Investment in Growing Crops

The Agricultural Foundation accumulates all direct costs of growing crops and reports the growing crops on the Statements of Financial Position at the lower of cost or market.

Donated Services

The Agricultural Foundation receives various donated services. The estimated fair values of donations in excess of \$1,000 are recorded as support and expense in the period received. The Agricultural Foundation has implemented Accounting Standards Update (ASU) 2013-06 which requires not-for-profit entities to record the fair value of regularly performed contributed services. California State University, Fresno contributed \$417,821 and \$446,645 in 2017 and 2018, respectively in salaries and benefits in support of the University Farm.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in Note 12 – Expenses by Natural Classification. Accordingly, certain costs have been allocated among programs and supporting services.

Fixed Assets

Fixed assets represent milking livestock, breeding herds, and equipment. Raised and donated milking livestock and breeding herds are carried at maximum raised value established by the Board. Purchased milking livestock and breeding herds are carried at cost less accumulated depreciation. Depreciation of livestock and herds is computed using straight line rates established by the Board, and the costs are depreciated down to the maximum raised value. The Agricultural Foundation capitalizes all expenditures for equipment in excess of \$5,000. Equipment is carried at cost less accumulated depreciation. Depreciation of equipment is computed using straight line rates based upon estimated useful lives. Equipment includes the value of Construction in Progress which is not depreciated until the project is completed.

Capitalized development costs represent costs incurred for producing vineyards and orchards. The costs are depreciated over 10 years as the vineyards and orchards commence production.

Depreciation expense amounted to \$190,474 and \$168,919 in 2017 and 2018, respectively.

Gross Sales

Sales of crops are recorded net of certain custom harvesting costs.

Note 1 – Summary of Significant Accounting Policies, continued

Investments

Investments in marketable securities are recorded at cost when purchased and at market value, thereafter. Market value is based on quoted market prices.

Tax Status

The Agricultural Foundation is organized and operated exclusively for educational purposes and is thus allowed tax exempt status under provisions of section 501(c)(3) of the Internal Revenue Code and section 21701(d) of the California Revenue and Taxation Code. However, income for certain activities not directly related to The Agricultural Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$14,547 and \$8,939 in 2017 and 2018, respectively.

Deferred Revenue

Income from the University and farm events are deferred and recognized over the periods to which the University and farm events relate.

Salaries/Wages and Employee Benefits

Salaries/Wages at June 30, 2017 and 2018 are reflected on the Statements of Activities and consist of the following:

	<u>2017</u>	<u>2018</u>
Salaries/Wages	685,075	692,376
Salaries Reimbursed to the University	431,646	527,984
Salaries Donated by the University	268,369	289,491
Contract Labor – Outside	<u>878,324</u>	<u>813,658</u>
Total Salaries/Wages	<u>\$ 2,263,414</u>	<u>\$ 2,323,509</u>

Employee Benefits at June 30, 2017 and 2018 are reflected on the Statements of Activities and consist of the following:

	<u>2017</u>	<u>2018</u>
Employee Benefits	104,675	116,509
Employee Benefits Donated by the University	<u>149,452</u>	<u>157,154</u>
Total Employee Benefits	<u>\$ 254,127</u>	<u>\$ 273,663</u>

Note 2 – Cash and Cash Equivalents

Cash and Cash Equivalents at June 30
Consisted of the following:

	<u>2017</u>	<u>2018</u>
Deposits:		
Cash in Banks	\$ 942,500	\$ 940,500
Pooled Funds:		
Cash in State of California Local Agency Investment Fund (LAIF)	710,369	319,428
Cash on Hand	<u>4,300</u>	<u>4,300</u>
Total	<u>\$1,657,169</u>	<u>\$1,264,228</u>

Note 2 – Cash and Cash Equivalents, continued

The Agricultural Foundation maintains some of its cash in The State of California Local Agency Investment Fund. The State pools these funds with those of other organizations and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is remitted quarterly to The Agricultural Foundation. Any investment losses are proportionately shared by all funds in the pool.

Of the total cash amount of \$1,657,169 and \$1,264,228 in 2017 and 2018, temporarily restricted cash was \$63,394 and \$95,781 in 2017 and 2018, respectively. Temporarily restricted cash represents amounts held to comply with donor-imposed restrictions in the Poultry and Ornamental Horticulture Nursery units and is not for available for general use. There is no requirement that cash be held in separate accounts.

Note 3 – Inventories

Inventories at June 30, 2017 and 2018 consist of the following:

	<u>2017</u>	<u>2018</u>
Winery	\$110,523	\$126,445
Dairy	313,305	346,158
Beef	81,266	85,121
Others	<u>117,350</u>	<u>80,450</u>
Total	<u>\$622,444</u>	<u>\$638,174</u>

Note 4 – Long-Term Receivables

The Agricultural Foundation is a member of a milk cooperative known as the California Dairies Inc. Members of the cooperative must maintain a permanent capital fund to provide the necessary capital to finance the California Dairies' operation and growth. This equity account is refundable in five annual payments upon The Agricultural Foundation's withdrawal from the cooperative.

Long-Term Receivables are composed of the following:

	<u>2017</u>	<u>2018</u>
California Dairies Inc.	<u>\$53,471</u>	<u>\$51,260</u>

Note 5 – Investments

Investment securities, stated at market value, are summarized as follows at June 30:

<u>2017</u>	<u>Original Investment</u>	<u>Market Value</u>	<u>Unrealized Appreciation/(Depreciation)</u>
Fresno State Foundation Endowment Pool	<u>\$737,645</u>	<u>\$899,766</u>	<u>\$162,121</u>
<u>2018</u>	<u>Original Investment</u>	<u>Market Value</u>	<u>Unrealized Appreciation/(Depreciation)</u>
Fresno State Foundation Endowment Pool	<u>\$737,645</u>	<u>\$961,687</u>	<u>\$224,042</u>

Note 6 – Endowment

The Board designated The Agricultural Foundation Endowment Fund to support the mission of the Agricultural Foundation. Since the fund resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Endowment assets are invested with the California State University, Fresno Foundation (the “Foundation”) in their endowment Pool A, a well diversified fund that is intended to result in a consistent inflation-protected rate of return. Each year, the Foundation either approves an appropriation for distribution from its endowments or a reinvestment in the pool. For fiscal year 2018, the Board authorized a reinvestment in Pool A.

The distribution or reinvestment is measured as a percentage of its endowment fund’s average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, The Agricultural Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, The Agricultural Foundation expects the current spending policy to allow its general endowment fund to grow consistent with its return objectives and risk parameters. The Agricultural Foundation expects its endowment assets, over time, to exceed the rate of inflation by approximately 4%. Actual returns in any given year may vary from this amount.

Composition of and changes in endowment net assets for the years ending June 30, 2017 and 2018 were as follows:

	<u>2017</u>	<u>2018</u>
Board-designated endowment net assets, July 1	\$818,576	\$899,766
Net appreciation (depreciation)	46,941	23,754
Amounts reinvested	34,249	38,167
Amounts appropriated for expenditure	<u>0</u>	<u>0</u>
Board-designated endowment net assets, June 30	<u>\$899,766</u>	<u>\$961,687</u>

Note 7 – Fair Value Measurements

Generally accepted accounting principles define fair value as 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. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest propriety to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant observable input (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounts cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Note 7 – Fair Value Measurements, continued

The table below presents the balance of assets measured at fair value on a recurring basis at June 30:

<u>2017</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Investment, Fresno State			
Foundation Endowment Pool	\$ 899,766	\$ 0	\$ 899,766
Cash and Cash Equivalents	<u>1,657,169</u>	<u>1,657,169</u>	<u>0</u>
Totals	<u>\$ 2,556,935</u>	<u>\$ 1,657,169</u>	<u>\$ 899,766</u>
<u>2018</u>			
Investment, Fresno State			
Foundation Endowment Pool	\$ 961,687	\$ 0	\$ 961,687
Cash and Cash Equivalents	<u>1,264,228</u>	<u>1,264,228</u>	<u>0</u>
Totals	<u>\$ 2,225,915</u>	<u>\$ 1,264,228</u>	<u>\$ 961,687</u>

Note 8 – Related Parties

The Agricultural Foundation receives management services from the California State University, Fresno Association, Inc. (the “Association”). The Agricultural Foundation had the following transactions with the following entities during the years ended June 30, 2017 and 2018:

Administrative fees paid to the Association for management services were \$164,000 and \$172,200 for the years ended June 30, 2017 and 2018, respectively based on a flat fee arrangement. The amounts due The Agricultural Foundation from the Association at June 30, 2017 and 2018, were \$664 and \$1,725, respectively. The amounts due the Association from The Agricultural Foundation at June 30, 2017 and 2018, were \$10 and \$90, respectively.

There were no amounts due to the California State University, Fresno Foundation by The Agricultural Foundation at June 30, 2017 and 2018. There were no amounts due to The Agricultural Foundation by the California State University, Fresno Foundation at June 30, 2017 and 2018.

The Agricultural Foundation operates the University Farm, which serves as an instructional laboratory. As such, the University is required to pay for certain operational expenses during the fiscal year. The amounts paid by the University were \$533,260 for the year ended June 30, 2017 and \$493,398 for year ended June 30, 2018. These payments were used to reduce farm operation expenses. During the fiscal year ended June 30, 2018, the Agricultural Foundation donated to the University a Post Harvest Cooler in the amount of \$652,104. The amounts due from The Agricultural Foundation to the University at June 30, 2017 and 2018, were \$44,428 and \$118,551, respectively. The amounts due from the University to The Agricultural Foundation at June 30, 2017 and 2018, were \$252,888 and \$8,427, respectively.

The amounts due from Fresno State Athletics at June 30, 2017 and 2018, were \$2,000 for both years, respectively.

Note 9 – Leases

The Agricultural Foundation has entered into several leases and subleases as follows:

- Use of San Joaquin Experimental Range for cattle grazing, with the USDA, expiring March 17, 2020.
- Ground and Facility Lease between the Trustees of the CSU, expiring June 30, 2022.
- Land for grazing purposes (Millerton Lake), with the United States Department of the Interior Bureau of Reclamation, expiring June 30, 2020.
- Land for grazing purposes, sublease with Running T Ranch, expired June 15, 2018.

Note 10 – Designated Net Assets, VERC Reserve

In January 2013, a Memorandum of Understanding (“MOU”) was executed between The Agricultural Foundation, California State University, Fresno and the Viticulture and Enology Research Center Board (“VERC Board”) to coordinate efforts to redevelop the vineyards. After securing an initial investment of \$201,500 from private industry, The Agricultural Foundation will transfer annually fifty percent of the Department’s total net surplus amount greater than \$80,000 to the Reserve. The Agricultural Foundation must have a surplus at year end that meets or exceeds the amount of the VERC transfer. The contribution for fiscal year 2018 is \$0.

Designated Net Assets –VERC Reserve at June 30, 2017 and 2018 are as follows:

	<u>2017</u>	<u>2018</u>
VERC Reserve	<u>\$64,167</u>	<u>\$ 64,167</u>

Note 11 – Temporarily Restricted Net Assets

Temporarily Restricted Net Assets at June 30, 2017 and 2018, are available for the following:

	<u>2017</u>	<u>2018</u>
Poultry Unit	\$ 63,394	\$ 93,281
Ornamental Horticultural Nursery Unit	<u>0</u>	<u>2,500</u>
Total	<u>\$ 63,394</u>	<u>\$ 95,781</u>

Note 12 – Expenses by Natural/Functional Classification

For The Years Ended June 30:

Expenses	2017			2018		
	Program	General & Administrative	Total	Program	General & Administrative	Total
Cost of Sales	\$1,571,488		\$1,571,488	\$1,530,840		\$1,530,840
Salaries/Wages	2,263,414		2,263,414	2,323,509		2,323,509
Employee Benefits	254,127		254,127	273,663		273,663
Advertising	14,547		14,547	8,939		8,939
Audit Fees	0	\$20,750	20,750	0	\$20,380	20,380
Awards/Premiums	38,454		38,454	32,646		32,646
Bad Debts	1,662		1,662	1,940		1,940
Capitalized Development Costs-						
Depreciation	23,093		23,093	25,894		25,894
Custom Harvesting	74,722		74,722	81,573		81,573
Depreciation	167,381		167,381	143,025		143,025
Donations	794		794	652,441		652,441
Equipment Rental/Repair	427,791		427,791	425,269		425,269
Infrastructure Improvements	2,052		2,052	0		0
Insurance	32,535	26,088	58,623	30,147	28,428	58,575
Licenses/Dues/Fees	59,921	2,103	62,024	54,981	2,724	57,705
Livestock Expense	160,584		160,584	169,136		169,136
Management Services Fee	0	164,000	164,000	0	172,200	172,200
Miscellaneous	51,380	1,439	52,819	68,425	1,561	69,986
Office Supplies/Duplicating	3,304	3,773	7,077	4,502	5,549	10,051
Postage/Freight	10,917		10,917	9,123		9,123
Supplies	689,546		689,546	746,194		746,194
Travel	6,719		6,719	5,625		5,625
Utilities	120,597		120,597	136,159		136,159
Unrelated Business Income Tax	0		0	0		0
Totals	<u>\$5,975,028</u>	<u>\$218,153</u>	<u>\$6,193,181</u>	<u>\$6,724,031</u>	<u>\$230,842</u>	<u>\$6,954,873</u>

Note 12 – Expenses by Natural/Functional Classification, continued

Program expenses are incurred by various instructional farm laboratories, whose purpose is to provide students with hands-on experience in world-class agriculture. These enterprises provide students with opportunities in production, processing and marketing in crops and livestock. The Agricultural Foundation provides support for the financial management of the enterprise units and student projects operated within the context of the Farm Laboratory. Responsibilities include ensuring prudent financial management of the enterprises, and providing other related assistance to the Jordan College of Agricultural Sciences and Technology. The Agricultural Foundation comprises over 22 enterprises, which constitute the University Agricultural Laboratory.

Note 13 – Subsequent Events

Subsequent events have been evaluated through September 6, 2018 noting no matters requiring disclosure in the financial statements for the year ended June 30, 2018.

Note 14 – Uncertain Tax Positions

The Agricultural Foundation has qualified as a non-profit organization and has been granted tax-exempt status pursuant to the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Generally accepted accounting principles provide accounting and disclosures guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Agricultural Foundation's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

ADDITIONAL INFORMATION FOR
CALIFORNIA STATE UNIVERSITY, FRESNO

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
SCHEDULE OF NET POSITION
JUNE 30, 2018
(for inclusion in the California State University)

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 434,766
Short-Term Investments	733,681
Accounts Receivable, Net	431,162
Prepaid Expenses and Other Assets	<u>987,574</u>
Total Current Assets	<u>2,587,183</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	95,781
Accounts Receivable, Net	51,260
Endowment Investments	961,687
Capital Assets, Net	<u>1,219,271</u>
Total Noncurrent Assets	<u>2,327,999</u>

Total Assets	<u>4,915,182</u>
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Liabilities:

Current Liabilities:

Accounts Payable	474,171
Accrued Salaries and Benefits Payable	9,200
Accrued Compensated Absences, Current Portion	1,000
Unearned Revenue	<u>1,341</u>
Total Current Liabilities	<u>485,712</u>

Noncurrent Liabilities:

Accrued Compensated Absences, Net of Current Portion	<u>4,484</u>
Total Noncurrent Liabilities	<u>4,484</u>

Total Liabilities	<u>490,196</u>
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Net Position:

Net Investment in Capital Assets	1,219,271
Restricted for:	
Expendable:	
Other	95,781
Unrestricted	<u>3,109,934</u>
Total Net Position	<u>\$ 4,424,986</u>

See accompanying independent auditors' report.

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018
(for inclusion in the California State University)

Revenues:

Operating Revenues:

Sales and Services of Auxiliary Enterprises	\$ 5,091,710
Other Operating Revenues	<u>812,104</u>
Total Operating Revenues	<u>5,903,814</u>

Expenses:

Operating Expenses:

Auxiliary Enterprise Expenses	6,785,954
Depreciation and Amortization	<u>168,919</u>
Total Operating Expenses	<u>6,954,873</u>
Operating Income/(Loss)	<u>(1,051,059)</u>

Nonoperating Revenues (Expenses):

Gifts, Noncapital	549,519
Investment Income, Net	14,448
Endowment Income/(Loss), Net	<u>61,921</u>

Net Nonoperating Revenues (Expenses)	<u>625,888</u>
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Income/(Loss) before Other Revenues	(425,171)
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Grants and Gifts, Capital

<u>0</u>

Increase/(Decrease) in Net Position	(425,171)
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Net Position:

Net Position at Beginning of Year, as Previously Reported	4,850,157
Restatements	<u>-</u>
Net Position at Beginning of Year, as Restated	<u>4,850,157</u>
Net Position at End of Year	<u>\$ 4,424,986</u>

See accompanying independent auditors' report.

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
OTHER INFORMATION
JUNE 30, 2018
(for inclusion in the California State University)

1. Restricted Cash and Cash Equivalents at June 30, 2018:
All other restricted cash and cash equivalents

\$ 95,781

2.1 Composition of Investments at June 30, 2018:

	Unrestricted	Restricted	Current	Unrestricted	Restricted	Noncurrent	Total
State of California Local Agency Investment Fund (LAIF)	\$ 319,428	\$ -	\$ 319,428	\$ -	\$ -	\$ -	\$ 319,428
Money Market Funds	414,253	-	414,253	-	-	-	414,253
Debt and Equity Securities	-	-	-	961,687	-	961,687	961,687
Total Investments	\$ 733,681	\$ -	\$ 733,681	\$ 961,687	\$ -	\$ 961,687	\$ 1,695,368

2.5 Fair value hierarchy in investments at June 30, 2018:

	Fair Value Measurements Using						
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Net Asset Value (NAV)
	Total						
State of California Local Agency Investment Fund (LAIF)	\$ 319,428	\$ -	\$ -	\$ -	\$ -	\$ 319,428	
Money Market Funds	414,253	414,253	-	-	-	-	
Debt and Equity Securities	961,687	-	-	961,687	-	-	
Total Investments	\$ 1,695,368	\$ 414,253	\$ -	\$ 961,687	\$ -	\$ 319,428	

3.1 Composition of Capital Assets at June 30, 2018:

	Balance June 30, 2017		Prior Period Adjustments		Reclassifications		Balance 2017 Restated		Transfers Completed CWIP		Balance June 30, 2018	
Non-Depreciable Capital Assets:												
Capitalized Development Costs	\$ 889,267	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 889,267	\$ 120,510	\$ -	\$ -	\$ -	\$ 357,673
Construction Work in Progress (CWIP)	889,267	0	0	0	0	0	889,267	120,510	0	(652,104)	(652,104)	357,673
Total Non-Depreciable Capital Assets												
Depreciable Capital Assets:												
Breeding Herd	210,722	0	0	0	0	0	210,722	33,650	0	0	0	244,372
Capitalized Development Costs	872,886	0	0	0	0	0	872,886	0	(88,304)	0	0	784,582
Personal Property-Equipment	2,569,279	0	0	0	0	0	2,569,279	37,061	(655,986)	652,104	0	2,602,458
Total Depreciable Capital Assets	3,652,887	0	0	0	0	0	3,652,887	70,711	(744,290)	652,104	0	3,631,412
Total Capital Assets	4,542,154	0	0	0	0	0	4,542,154	191,221	(744,290)	0	0	3,989,085
Less Accumulated Depreciation:												
Breeding Herd	(24,490)	0	0	0	0	0	(24,490)	0	0	0	0	(24,490)
Capitalized Development Costs	(644,344)	0	0	0	0	0	(644,344)	(25,894)	88,304	0	0	(581,934)
Personal Property-Equipment	(2,023,343)	0	0	0	0	0	(2,023,343)	(143,025)	2,978	0	0	(2,163,390)
Total Accumulated Depreciation	(2,692,177)	0	0	0	0	0	(2,692,177)	(168,919)	91,282	0	0	(2,769,814)
Total Capital Assets, Net	\$ 1,849,977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,849,977	\$ 22,302	\$ (653,008)	\$ -	\$ -	\$ 1,219,271

Note: Additions and Reductions includes \$903 adjustment for Breeding Herd changes in valuation recorded in Cost of Sales.

3.2 Detail of Depreciation and Amortization Expense for the Year Ended June 30, 2018:

Depreciation and Amortization Expense Related to Capital Assets	\$ 168,919
Amortization Expense Related to Other Assets	0
Total Depreciation and Amortization	\$ 168,919

See accompanying independent auditors' report

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
OTHER INFORMATION
JUNE 30, 2018
(for inclusion in the California State University)

	Balance June 30, 2017	Prior Period Adjustments	Reclassifications	Balance 2017		Additions	Reductions	Balance June 30, 2018	Current Portion	Long-Term Portion
				Restated	Restated					
Accrued Compensated Absences	\$ 4,998	\$ -	\$ -	\$ -	\$ 4,998	\$ 6,669	\$ (6,183)	\$ 5,484	\$ 1,000	\$ 4,484

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
	\$ -	\$ 1,219,271	\$ 1,219,271

	Amounts
Payments to University for salaries of University personnel working on contracts, grants, and other programs	521,706
Payments to University for other than salaries of University personnel	229,403
Payments received from University for services, space, and programs	0
Gifts-in-kind to the University from Auxiliary Organizations	0
Gifts (Cash or Assets) to the University from recognized Auxiliary Organizations	652,104
Accounts (payable to) University	(118,551)
Accounts receivable from University	8,427

	Salaries	Benefits	Supplies and other services	Depreciation and amortization	Total operating expenses
Auxiliary enterprise expenses	2,323,509	273,663	4,188,782	---	6,785,954
Depreciation and amortization	---	---	---	168,919	168,919
	2,323,509	273,663	4,188,782	168,919	6,954,873

4. Long-Term Liabilities Activity Schedule:

7. Calculation of Net Position:

7.1 Calculation of Net Position - Net Investment in Capital Assets:

Capital assets, net of accumulated depreciation

7.2 Calculation of Net Position - Restricted for nonexpendable endowments:
Not Applicable

8. Transactions with Related Entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs
Payments to University for other than salaries of University personnel
Payments received from University for services, space, and programs
Gifts-in-kind to the University from Auxiliary Organizations
Gifts (Cash or Assets) to the University from recognized Auxiliary Organizations
Accounts (payable to) University
Accounts receivable from University

12 Natural Classifications of Operating Expenses:

Auxiliary enterprise expenses
Depreciation and amortization