

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

**2014-15  
Annual Report**

**Approved by the Board of Directors  
September 18, 2015**

**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, 2015**

**BOARD OF DIRECTORS**

Charles Boyer/Sandra Witte	Fresno, California
Joseph I. Castro	Fresno, California
H. Clay Daulton	Madera, California
Daniel Errotabere	Fresno, California
Larry D. Layne	Sanger, California
Richard Matoian	Fresno, California
Pat V. Ricchiuti	Clovis, California

**CORPORATE OFFICERS**

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

**AUDIT COMMITTEE**

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

**EXECUTIVE STAFF**

Ms. Deborah S. Adishian-Astone	Executive Director
Ms. Kate Tuckness	Auxiliary Controller
Mr. John Melikian	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, 2014 and 2015, 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 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 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.

## 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, 2014 and 2015, 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.

## Other Matter

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 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements and 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 Paege & Company*

Clovis, California  
September 9, 2015

**THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2015**

	2014	2015
<b><u>Assets</u></b>		
Current Assets:		
Cash and Cash Equivalents (Notes 1 and 2)	\$ 1,876,311	\$ 2,070,869
Accounts Receivable	477,256	310,515
Allowance for Doubtful Accounts	(3,500)	(3,500)
Prepaid Expenses	2,414	1,641
Inventories at Cost and Unit Livestock Method (Notes 1 and 3)	804,530	878,461
Total Current Assets	<u>3,157,011</u>	<u>3,257,986</u>
Noncurrent Assets:		
Restricted:		
Temporarily Restricted Cash (Note 2)	<u>25,515</u>	<u>20,426</u>
Total Restricted Assets	<u>25,515</u>	<u>20,426</u>
Other Assets:		
Long-Term Receivables (Note 4)	37,535	40,759
Investments (Note 5)	<u>831,336</u>	<u>846,550</u>
Total Other Assets	<u>868,871</u>	<u>887,309</u>
Fixed Assets: (Note 1)		
Breeding Herd	210,196	240,549
Equipment	2,371,523	2,432,423
Capitalized Development Costs	852,595	852,595
Construction In Progress	<u>397,825</u>	<u>86,223</u>
Total Fixed Assets	3,832,139	3,611,790
Less: Accumulated Depreciation	<u>(2,169,257)</u>	<u>(2,348,773)</u>
Total Fixed Assets, Net	<u>1,662,882</u>	<u>1,263,017</u>
Total Noncurrent Assets	<u>2,557,268</u>	<u>2,170,752</u>
Total Assets	<u><u>\$ 5,714,279</u></u>	<u><u>\$ 5,428,738</u></u>

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, 2014 AND 2015**

	<u>2014</u>	<u>2015</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Liabilities:</b>		
Current Liabilities:		
Accounts Payable	\$ 706,734	\$ 306,996
Total Current Liabilities	<u>706,734</u>	<u>306,996</u>
<b>Net Assets:</b>		
Unrestricted:		
Undesignated	<u>3,881,125</u>	<u>3,992,891</u>
Designated:		
Agricultural Foundation Endowment Fund (Note 6)	831,336	846,550
Incentive Funds	7,694	0
Contingency Reserve	150,000	150,000
VERC Reserve (Note 10)	<u>111,875</u>	<u>111,875</u>
Total Designated Net Assets	<u>1,100,905</u>	<u>1,108,425</u>
Total Unrestricted Net Assets	4,982,030	5,101,316
Restricted:		
Temporarily Restricted Net Assets (Note 11)	<u>25,515</u>	<u>20,426</u>
Total Restricted Net Assets	<u>25,515</u>	<u>20,426</u>
Total Net Assets	<u>5,007,545</u>	<u>5,121,742</u>
Total Liabilities and Net Assets	<u>\$ 5,714,279</u>	<u>\$ 5,428,738</u>

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, 2014 AND 2015**

	2014	2015
<b>Changes in Unrestricted Net Assets:</b>		
Revenues:		
Gross Sales	\$ 5,794,950	\$ 5,734,089
Agricultural Operations Support/(Deficit)	500,380	280,000
Donated Income	841,616	501,416
Gain on Sale of Assets	182	0
Interest Income	37,000	36,162
Unrealized Gain(Loss) on Investments	60,371	(18,098)
<b>Total Revenues</b>	<b>7,234,499</b>	<b>6,533,569</b>
Expenses and Losses:		
Cost of Sales	1,640,287	1,740,508
Salaries/Wages	2,085,864	2,056,515
Employee Benefits	222,026	193,911
Advertising	20,026	19,274
Audit Fees	18,170	27,105
Awards/Premiums	29,398	28,779
Bad Debt	577	4,938
Capitalized Development Costs-Depreciation	17,918	17,709
Custom Harvesting	70,360	42,854
Depreciation	172,624	173,777
Donations	490,247	233,799
Equipment Rental/Repair	488,137	496,892
Incentive Fee Transfers	12,256	1,194
Infrastructure Improvements	7,517	1,150
Insurance	57,338	58,978
Licenses/Dues/Fees	55,895	56,431
Livestock Expense	127,082	65,554
Management Services Fee	149,000	150,200
Miscellaneous	68,328	74,959
Office Supplies/Duplicating	9,972	9,059
Postage/Freight	9,182	8,829
Supplies	746,693	823,775
Travel	3,674	5,466
Utilities	123,627	122,118
Unrelated Business Income Tax	0	509
<b>Total Expenses and Losses</b>	<b>6,626,198</b>	<b>6,414,283</b>
<b>Increase(Decrease) in Unrestricted Net Assets</b>	<b>608,301</b>	<b>119,286</b>

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, 2014 AND 2015**

	<u>2014</u>	<u>2015</u>
<b>Changes in Temporarily Restricted Net Assets:</b>		
Revenues:		
Donation Income	60,000	60,000
Release from Restrictions:		
Transfer to Poultry	<u>(71,924)</u>	<u>(65,089)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>(11,924)</u>	<u>(5,089)</u>
<b>Increase/(Decrease) in Net Assets</b>	596,377	114,197
<b>Total Net Assets Beginning</b>	<u>4,411,168</u>	<u>5,007,545</u>
<b>Total Net Assets Ending</b>	<u><u>\$ 5,007,545</u></u>	<u><u>\$ 5,121,742</u></u>

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, 2014 AND 2015**

	2014	2015
<b>Cash Flows From Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 596,377	\$ 114,197
Adjustments to Reconcile Increase (Decrease) in Net Assets to		
Net Cash Provided (Used) By Operating Activities:		
Depreciation	190,542	191,486
Unrealized (Gain) Loss on Investments	(92,394)	(15,214)
Donation of Fixed Assets	(277,261)	232,351
Gain on Sale of Assets	(182)	0
Changes In:		
Accounts Receivable	(167,809)	166,741
Prepaid Expenses	(687)	773
Inventories	(52,373)	(73,931)
Accounts Payable	454,466	(399,738)
Agency Funds	(5,259)	0
Net Cash Provided by Operating Activities	<u>645,420</u>	<u>216,665</u>
<b>Cash Flows from Investing Activities</b>		
(Increase) Decrease in Long-Term Receivables	(6,391)	(3,225)
Net Change in Breeding Herd	(29,928)	(23,690)
Acquisition of Equipment and Capitalized Development Costs	<u>(401,131)</u>	<u>(281)</u>
Net Cash Used by Investing Activities	<u>(437,450)</u>	<u>(27,196)</u>
Net Increase(Decrease) in Cash	207,970	189,469
Cash and Cash Equivalents at Beginning of Year	<u>1,693,856</u>	<u>1,901,826</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,901,826</u>	<u>\$ 2,091,295</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid During the Year for Taxes	<u>\$ -</u>	<u>\$ 509</u>

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, 2014 and 2015**

**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, 2015, approximately 20% and 12% 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, 2015, the FDIC insures cash balances held in interest and noninterest-bearing accounts combined up to \$250,000. At June 30, 2014 and 2015, The Agricultural Foundation's uninsured cash balances at Citibank totaled \$1,454,051 and \$2,307,481 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.

## **Note 1 – Summary of Significant Accounting Policies, continued**

**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.

### **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, 2014 and 2015 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).

### **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. During fiscal year 2014, The Agricultural Foundation 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 \$528,699 in salaries in 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 \$190,542 and \$191,486 in 2014 and 2015, 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 \$20,026 and \$19,274 in 2014 and 2015, respectively.

## Note 2 – Cash and Cash Equivalents

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

	<u>2014</u>	<u>2015</u>
Deposits:		
Cash in Banks	\$1,792,813	\$1,981,525
Pooled Funds:		
Cash in State of California Local Agency Investment Fund (LAIF)	104,913	105,170
Cash on Hand	<u>4,100</u>	<u>4,600</u>
Total	<u>\$1,901,826</u>	<u>\$2,091,295</u>

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 \$1,901,826 and \$2,091,295 in 2014 and 2015, temporarily restricted cash was \$25,514 and \$20,426 in 2014 and 2015, respectively. Temporarily restricted cash represents amounts held to comply with donor-imposed restrictions in the Poultry unit 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, 2014 and 2015 consist of the following:

	<u>2014</u>	<u>2015</u>
Winery	\$364,838	\$371,653
Dairy	283,694	274,413
Beef	86,319	81,467
Others	<u>69,679</u>	<u>150,928</u>
Total	<u>\$804,530</u>	<u>\$878,461</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>2014</u>	<u>2015</u>
California Dairies Inc.	<u>\$37,535</u>	<u>\$40,759</u>

#### Note 5 - Investments

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

<u>2014</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Unrealized Appreciation/(Depreciation)</u>
Fresno State Foundation Endowment Pool	<u>\$737,645</u>	<u>\$831,336</u>	<u>\$ 93,691</u>

  

<u>2015</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Unrealized Appreciation/(Depreciation)</u>
Fresno State Foundation Endowment Pool	<u>\$737,645</u>	<u>\$846,550</u>	<u>\$108,905</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 2015, 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, 2014 and 2015, were as follows:

	<u>2014</u>	<u>2015</u>
Board-designated endowment net assets, July 1	\$ 738,942	\$831,336
Net appreciation (depreciation)	60,371	(18,098)
Amounts reinvested	32,023	33,312
Amounts appropriated for expenditure	<u>0</u>	<u>0</u>
Board-designated endowment net assets, June 30	<u>\$831,336</u>	<u>\$846,550</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.

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

	Fair Value	Level 1	Level 3
<b>2014</b>			
Investment, Fresno State			
Foundation Endowment Pool	\$ 831,336	\$ 0	\$ 831,336
Cash and Cash Equivalents	<u>1,901,826</u>	<u>1,901,826</u>	<u>0</u>
Totals	<u>\$ 2,733,162</u>	<u>\$ 1,901,826</u>	<u>\$ 831,336</u>
<b>2015</b>			
Investment, Fresno State			
Foundation Endowment Pool	\$ 846,550	\$ 0	\$ 846,550
Cash and Cash Equivalents	<u>2,091,295</u>	<u>2,091,295</u>	<u>0</u>
Totals	<u>\$ 2,937,845</u>	<u>\$ 2,091,295</u>	<u>\$ 846,550</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, 2014 and 2015:

Administrative fees paid to the Association for management services were \$149,000 and \$150,200 for the years ended June 30, 2014 and 2015, respectively, based on a flat fee arrangement. The amounts due The Agricultural Foundation from the Association at June 30, 2014 and 2015, were \$2,489 and \$1,408, respectively. The amounts due the Association from the Agricultural Foundation at June 30, 2014 and 2015, were \$915 and \$561, respectively.



#### **Note 8 – Related Parties, continued**

The amounts due to the California State University, Fresno Foundation by The Agricultural Foundation for expenses at June 30, 2014 and 2015, were \$1,484 and \$0, respectively. The amounts due to The Agricultural Foundation by the California State University, Fresno Foundation at June 30, 2014 and 2015, were \$0 and \$0, respectively.

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 \$500,380 and \$280,000, for the years ended June 30, 2014 and 2015, respectively. These payments were used to reduce farm operation expenses. The amounts due from The Agricultural Foundation to the University at June 30, 2014 and 2015, were \$12,563 and \$60,016, respectively. The amounts due from the University to The Agricultural Foundation at June 30, 2013 and 2014, were \$11,121 and \$6,151, respectively.

The amounts due from Fresno State Programs for Children at June 30, 2014 and 2015, were \$121 and \$90, 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, 2017.
- Land for grazing purposes (Millerton Lake), with the United States Department of the Interior Bureau of Reclamation, expiring June 30, 2015.
- Land for grazing purposes, sublease with Running T Ranch, expired June 30, 2015.
- Sublease with Bio Filtro USA, Inc. for a pilot dairy water filtration system (400 square feet of real property), expiring August 15, 2015.

#### **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.

Designated Net Assets –VERC Reserve at June 30, 2014 and 2015, are as follows:

	<u>2014</u>	<u>2015</u>
VERC Reserve	<u>\$111,875</u>	<u>\$ 111,875</u>

#### **Note 11 – Temporarily Restricted Net Assets**

Temporarily Restricted Net Assets at June 30, 2014 and 2015, are available for the following:

	<u>2014</u>	<u>2015</u>
Poultry Unit	<u>\$ 25,514</u>	<u>\$ 20,426</u>



**Note 12 - Expenses by Natural Classification**

For The Years Ended June 30:

Expenses	2014			2015		
	Program	General & Administrative	Total	Program	General & Administrative	Total
Cost of Sales	\$1,640,287		\$1,640,287	\$1,740,508		\$1,740,508
Salaries/Wages	2,085,864		2,085,864	2,056,515		2,056,515
Employee Benefits	222,026		222,026	193,911		193,911
Advertising	20,026		20,026	19,274		19,274
Audit Fees	0	\$18,170	18,170	0	\$27,105	27,105
Awards/Premiums	29,398		29,398	28,779		28,779
Bad Debts	577		577	4,938		4,938
Capitalized Development Costs-						
Depreciation	17,918		17,918	17,709		17,709
Custom Harvesting	70,360		70,360	42,854		42,854
Depreciation	172,624		172,624	173,777		173,777
Donations	490,247		490,247	233,799		233,799
Equipment Rental/Repair	488,137		488,137	496,892		496,892
Incentive Fee Transfers	12,256		12,256	1,194		1,194
Infrastructure Improvements	7,517		7,517	1,150		1,150
Insurance	26,741	30,597	57,338	26,500	32,478	58,978
Legal Fees	0	0	0	0	0	0
Licenses/Dues/Fees	51,948	3,947	55,895	54,096	2,335	56,431
Livestock Expense	127,082		127,082	65,554		65,554
Management Services Fee	0	149,000	149,000	0	150,200	150,200
Miscellaneous	67,146	1,182	68,328	73,397	1,562	74,959
Office Supplies/Duplicating	4,838	5,134	9,972	2,994	6,065	9,059
Postage/Freight	9,182		9,182	8,829		8,829
Supplies	746,693		746,693	823,775		823,775
Travel	3,674		3,674	5,466		5,466
Unrealized Loss on Investments	0		0	0		0
Utilities	123,627		123,627	122,118		122,118
Unrelated Business Income Tax	0		0	509		509
<b>Totals</b>	<b>\$6,418,168</b>	<b>\$208,030</b>	<b>\$6,626,198</b>	<b>\$6,194,538</b>	<b>\$219,745</b>	<b>\$6,414,283</b>

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 23 enterprises, which constitute the University Agricultural Laboratory.

**Note 13 – Subsequent Events**

Subsequent events have been evaluated through September 9, 2015 noting no matters requiring disclosure in the financial statements for the year ended June 30, 2015.

**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.

**Note 14 – Uncertain Tax Positions, continued**

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, 2015  
(for inclusion in the California State University)

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 1,965,699
Short-Term Investments	105,170
Accounts Receivable, Net	307,015
Prepaid Expenses and Other Assets	880,102
Total Current Assets	<u>3,257,986</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	20,426
Accounts Receivable, Net	40,759
Endowment Investments	846,550
Capital Assets, Net	1,263,017
Total Noncurrent Assets	<u>2,170,752</u>

Total Assets	<u>5,428,738</u>
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Liabilities:

Current Liabilities:

Accounts Payable	294,889
Accrued Salaries and Benefits Payable	8,115
Accrued Compensated Absences, Current Portion	1,000
Total Current Liabilities	<u>304,004</u>

Noncurrent Liabilities:

Accrued Compensated Absences, Net of Current Portion	2,992
Total Noncurrent Liabilities	<u>2,992</u>

Total Liabilities	<u>306,996</u>
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Net Position:

Net Investment in Capital Assets	1,263,017
Restricted for:	
Expendable:	
Other	20,426
Unrestricted	<u>3,838,299</u>
Total Net Position	<u>\$ 5,121,742</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, 2015  
(for inclusion in the California State University)

Revenues:

Operating Revenues:

Sales and Services of Auxiliary Enterprises	\$ 5,659,784
Other Operating Revenues	<u>354,305</u>
Total Operating Revenues	<u>6,014,089</u>

Expenses:

Operating Expenses:

Auxiliary Enterprise Expenses	6,222,797
Depreciation and Amortization	<u>191,486</u>
Total Operating Expenses	<u>6,414,283</u>
Operating Income	<u>(400,194)</u>

Nonoperating Revenues (Expenses):

Gifts, Noncapital	496,327
Investment Income, Net	2,850
Endowment Income/(Loss), Net	<u>15,214</u>

Net Nonoperating Revenues (Expenses)	<u>514,391</u>
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Increase in Net Position	114,197
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Net Position:

Net Position at Beginning of Year, as Previously Reported	<u>5,007,545</u>
Net Position at End of Year	<u><u>\$ 5,121,742</u></u>

See accompanying independent auditors' report.

**THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO**  
**OTHER INFORMATION**  
**JUNE 30, 2015**  
(for inclusion in the California State University)

1. Restricted Cash and Cash Equivalents at June 30, 2015:  
Not Applicable

- 2.1 Composition of Investments at June 30, 2015:

	Unrestricted	Restricted	Current	Unrestricted	Restricted	Noncurrent	Total
State of California Local Agency Investment Fund (LAIF)	105,170	0	105,170	0	0	0	105,170
Debt and Equity Securities	0	0	0	846,550	0	846,550	846,550
Total Investments	105,170	0	105,170	846,550	0	846,550	951,720

- 2.2 Investments held by the University under contractual agreements at June 30, 2015:  
Not Applicable

- 2.3 Restricted Current Investments at June 30, 2015 related to:  
Not Applicable

- 2.4 Restricted Noncurrent Investments at June 30, 2015 related to:  
Not Applicable

- 3.1 Composition of Capital Assets at June 30, 2015:

	Balance June 30, 2014	Prior Period Adjustments	Reclassifications	Balance 2015 Restated	Additions	Reductions	Transfers Completed CWIP	Balance June 30, 2015
<b>Non-Depreciable Capital Assets:</b>								
Capitalized Development Costs	0	0	0	0	0	0	0	0
Construction Work in Progress (CWIP)	397,823	0	0	397,823	11,521	(323,123)		86,223
Total Non-Depreciable Capital Assets	397,823	0	0	397,823	11,521	(323,123)	0	86,223
<b>Depreciable Capital Assets:</b>								
Breeding Herd	210,196	0	0	210,196	30,353	0	0	240,549
Capitalized Development Costs	852,595	0	0	852,595	0	0	0	852,595
Personal Property-Equipment	2,371,523	0	0	2,371,523	79,536	(18,636)		2,432,423
Total Depreciable Capital Assets	3,434,314	0	0	3,434,314	109,889	(18,636)	0	3,525,567
Total Capital Assets	3,832,139	0	0	3,832,139	121,410	(341,759)	0	3,611,790
<b>Less Accumulated Depreciation:</b>								
Breeding Herd	(16,605)	0	0	(16,605)	0	(6,663)	0	(23,268)
Capitalized Development Costs	(593,395)	0	0	(593,395)	(17,708)	0	0	(611,103)
Personal Property-Equipment	(1,559,257)	0	0	(1,559,257)	(173,778)	18,633	0	(1,714,402)
Total Accumulated Depreciation	(2,169,257)	0	0	(2,169,257)	(191,486)	11,970	0	(2,348,773)
Total Capital Assets, Net	1,662,882	0	0	1,662,882	(70,076)	(329,789)	0	1,263,017

Note: Additions and Reductions includes \$6,663 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, 2015:

Depreciation and Amortization Expense Related to Capital Assets	191,486
Amortization Expense Related to Other Assets	0
Total Depreciation and Amortization	191,486

- 3.3 Detail of Intangible Assets for the Year Ended June 30, 2015:  
Not Applicable

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO  
OTHER INFORMATION  
JUNE 30, 2015  
(for inclusion in the California State University)

4. Long-Term Liabilities Activity Schedule:

	Balance June 30, 2014	Prior Period Adjustments	Reclassifications	Balance 2014 Restated	Additions	Reductions	Balance June 30, 2015	Current Portion	Long-Term Portion
Accrued Compensated Absences	6,788	0	0	6,788	4,156	(6,952)	3,992	1,000	2,992

3. Future Minimum Lease Payments:  
Not Applicable

6. Long-Term Debt Obligation Schedule:  
Not Applicable

7. Calculation of Net Position:

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

	Auxiliary Organizations		Total
	GASB	FASB	Auxillaries
Capital assets, net of accumulated depreciation	0	1,263,017	1,263,017

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

8. Transactions with Related Entities:

	Amounts
Payments to University for salaries of University personnel working on contracts, grants, and other programs	562,572
Payments to University for other than salaries of University personnel	262,348
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	232,351
Accounts (payable to) University	(60,016)
Accounts receivable from University	6,151

9. Other Postemployment Benefits Obligation (OPEB):  
Not Applicable

10. Pollution remediation liabilities under GASB Statement No 49:  
Not Applicable

11. The Nature and amount of the prior period adjustment(s) recorded to beginning net position:  
Not Applicable