

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

**2015-16
Annual Report**

**Approved by the Board of Directors
September 16, 2016**

**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, 2016**

BOARD OF DIRECTORS

Joseph I. Castro	Fresno, California
H. Clay Daulton	Madera, California
Joe Del Bosque <i>(eff. 9/18/15)</i>	Los Banos, California
Daniel Errotabere	Fresno, California
Larry D. Layne	Sanger, California
Richard Matoian	Fresno, California
Dianne Nury <i>(eff. 9/18/15)</i>	Fresno, California
Pat V. Ricchiuti	Clovis, California
Sandra Witte	Fresno, California
Sara Woolf <i>(eff. 3/18/16)</i>	Fresno, 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
Auditors	Price Paige and Company 677 Scott Avenue Clovis, California 93612 Telephone (559) 299-9540



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, 2016 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 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.

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, 2016 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 Pange & Company

Clovis, California
August 31, 2016

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2016

	2015	2016
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Notes 1 and 2)	\$ 2,070,869	\$ 2,138,664
Accounts Receivable	310,515	268,253
Allowance for Doubtful Accounts	(3,500)	(3,500)
Prepaid Expenses	1,641	2,144
Inventories at Cost and Unit Livestock Method (Notes 1 and 3)	878,461	608,606
Total Current Assets	<u>3,257,986</u>	<u>3,014,167</u>
Noncurrent Assets:		
Restricted:		
Temporarily Restricted Cash (Note 2)	<u>20,426</u>	<u>54,913</u>
Total Restricted Assets	<u>20,426</u>	<u>54,913</u>
Other Assets:		
Long-Term Receivables (Note 4)	40,759	48,367
Investments (Note 5)	<u>846,550</u>	<u>818,576</u>
Total Other Assets	<u>887,309</u>	<u>866,943</u>
Fixed Assets: (Note 1)		
Breeding Herd	240,549	250,558
Equipment	2,432,423	2,571,732
Capitalized Development Costs	852,595	872,887
Construction In Progress	<u>86,223</u>	<u>48,212</u>
Total Fixed Assets	3,611,790	3,743,389
Less: Accumulated Depreciation	<u>(2,348,773)</u>	<u>(2,549,188)</u>
Total Fixed Assets, Net	<u>1,263,017</u>	<u>1,194,201</u>
Total Noncurrent Assets	<u>2,170,752</u>	<u>2,116,057</u>
Total Assets	<u>\$ 5,428,738</u>	<u>\$ 5,130,224</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, 2015 AND 2016

	2015	2016
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 306,996	\$ 327,305
Total Current Liabilities	<u>306,996</u>	<u>327,305</u>
Net Assets:		
Unrestricted:		
Undesignated	<u>3,992,891</u>	<u>3,687,846</u>
Designated:		
Agricultural Foundation Endowment Fund (Note 6)	846,550	818,576
Contingency Reserve	150,000	150,000
VERC Reserve (Note 10)	<u>111,875</u>	<u>91,584</u>
Total Designated Net Assets	<u>1,108,425</u>	<u>1,060,160</u>
Total Unrestricted Net Assets	5,101,316	4,748,006
Restricted:		
Temporarily Restricted Net Assets (Note 11)	<u>20,426</u>	<u>54,913</u>
Total Restricted Net Assets	<u>20,426</u>	<u>54,913</u>
Total Net Assets	<u>5,121,742</u>	<u>4,802,919</u>
Total Liabilities and Net Assets	<u>\$ 5,428,738</u>	<u>\$ 5,130,224</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, 2015 AND 2016

	2015	2016
Changes in Unrestricted Net Assets:		
Revenues:		
Gross Sales	\$ 5,734,089	\$ 5,433,923
Agricultural Operations Support/(Deficit)	280,000	160,000
Donated Income	501,416	421,140
Interest Income	36,162	38,933
Unrealized Gain(Loss) on Investments	(18,098)	(60,654)
Total Revenues	6,533,569	5,993,342
Expenses and Losses:		
Cost of Sales	1,740,508	1,681,145
Salaries/Wages	2,056,515	2,229,214
Employee Benefits	193,911	199,502
Advertising	19,274	23,500
Audit Fees	27,105	20,458
Awards/Premiums	28,779	29,585
Bad Debt	4,938	300
Capitalized Development Costs-Depreciation	17,709	10,148
Consulting	0	64,142
Custom Harvesting	42,854	42,700
Depreciation	173,777	183,830
Donations	233,799	1,862
Equipment Rental/Repair	496,892	491,501
Incentive Fee Transfers	1,194	0
Infrastructure Improvements	1,150	1,514
Insurance	58,978	58,457
Licenses/Dues/Fees	56,431	60,291
Livestock Expense	65,554	130,792
Management Services Fee	150,200	150,200
Miscellaneous	74,959	74,403
Office Supplies/Duplicating	9,059	9,617
Postage/Freight	8,829	9,812
Supplies	823,775	750,483
Travel	5,466	4,613
Utilities	122,118	117,395
Unrelated Business Income Tax	509	1,188
Total Expenses and Losses	6,414,283	6,346,652
Increase(Decrease) in Unrestricted Net Assets	119,286	(353,310)

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, 2015 AND 2016

	<u>2015</u>	<u>2016</u>
Changes in Temporarily Restricted Net Assets:		
Revenues:		
Donation Income	60,000	84,500
Release from Restrictions:		
Transfer to Poultry	<u>(65,089)</u>	<u>(50,013)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>(5,089)</u>	<u>34,487</u>
Increase/(Decrease) in Net Assets	114,197	(318,823)
Total Net Assets Beginning	<u>5,007,545</u>	<u>5,121,742</u>
Total Net Assets Ending	<u><u>\$ 5,121,742</u></u>	<u><u>\$ 4,802,919</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, 2015 AND 2016

	2015	2016
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 114,197	\$ (318,823)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Depreciation	191,486	193,978
Unrealized (Gain) Loss on Investments	(15,214)	27,974
Donation of Fixed Assets	232,351	(11,652)
Changes In:		
Accounts Receivable	166,741	42,262
Prepaid Expenses	773	(503)
Inventories	(73,931)	269,855
Accounts Payable	(399,738)	20,309
Net Cash Provided by Operating Activities	<u>216,665</u>	<u>223,400</u>
Cash Flows from Investing Activities		
(Increase) Decrease in Long-Term Receivables	(3,225)	(7,608)
Net Change in Breeding Herd	(23,690)	(3,572)
Acquisition of Equipment and Capitalized Development Costs	<u>(281)</u>	<u>(109,938)</u>
Net Cash Used by Investing Activities	<u>(27,196)</u>	<u>(121,118)</u>
Net Increase(Decrease) in Cash	189,469	102,282
Cash and Cash Equivalents at Beginning of Year	<u>1,901,826</u>	<u>2,091,295</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,091,295</u></u>	<u><u>\$ 2,193,577</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Taxes	<u><u>\$ 509</u></u>	<u><u>\$ 1,188</u></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, 2015 and 2016

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, 2016, approximately 19% 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, 2016, the FDIC insures cash balances held in interest and noninterest-bearing accounts combined up to \$250,000. At June 30, 2015 and 2016, The Agricultural Foundation's uninsured cash balances at Citibank totaled \$2,307,481 and \$1,832,640 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, 2015 and 2016 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. 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 \$467,219 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 \$191,486 and \$193,978 in 2015 and 2016, 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 \$19,274 and \$23,500 in 2015 and 2016, respectively.

Note 2 – Cash and Cash Equivalents

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

	<u>2015</u>	<u>2016</u>
Deposits:		
Cash in Banks	\$1,981,525	\$2,083,729
Pooled Funds:		
Cash in State of California Local Agency Investment Fund (LAIF)	105,170	105,548
Cash on Hand	<u>4,600</u>	<u>4,300</u>
Total	<u>\$2,091,295</u>	<u>\$2,193,577</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 \$2,091,295 and \$2,193,577 in 2015 and 2016, temporarily restricted cash was \$20,426 and \$54,913 in 2015 and 2016, respectively. Temporarily restricted cash represents amounts held to comply with donor-imposed restrictions in the Poultry and Orchard 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, 2015 and 2016 consist of the following:

	<u>2015</u>	<u>2016</u>
Winery	\$371,653	\$163,485
Dairy	274,413	274,647
Beef	81,467	85,180
Others	<u>150,928</u>	<u>85,294</u>
Total	<u>\$878,461</u>	<u>\$608,606</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>2015</u>	<u>2016</u>
California Dairies Inc.	<u>\$40,759</u>	<u>\$48,367</u>

Note 5 – Investments

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

<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>
<u>2016</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Unrealized Appreciation/(Depreciation)</u>
Fresno State Foundation Endowment Pool	<u>\$737,645</u>	<u>\$818,576</u>	<u>\$ 80,931</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 2016, 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, 2015 and 2016, were as follows:

	<u>2015</u>	<u>2016</u>
Board-designated endowment net assets, July 1	<u>\$831,336</u>	<u>\$846,550</u>
Net appreciation (depreciation)	<u>(18,098)</u>	<u>(60,654)</u>
Amounts reinvested	<u>33,312</u>	<u>32,680</u>
Amounts appropriated for expenditure	<u>0</u>	<u>0</u>
Board-designated endowment net assets, June 30	<u>\$846,550</u>	<u>\$818,576</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:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
<u>2015</u>			
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>
<u>2016</u>			
Investment, Fresno State Foundation Endowment Pool	\$ 818,576	\$ 0	\$ 818,576
Cash and Cash Equivalents	<u>2,193,577</u>	<u>2,193,577</u>	<u>0</u>
Totals	<u>\$ 3,012,153</u>	<u>\$ 2,193,577</u>	<u>\$ 818,576</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, 2015 and 2016:

Administrative fees paid to the Association for management services were \$150,200 for each of the years ended June 30, 2015 and 2016, based on a flat fee arrangement. The amounts due The Agricultural Foundation from the Association at June 30, 2015 and 2016, were \$1,408 and \$505, respectively. The amounts due the Association from the Agricultural Foundation at June 30, 2015 and 2016, were \$561 and \$757, respectively.

Note 8 – Related Parties, continued

There were no amounts due to the California State University, Fresno Foundation by The Agricultural Foundation at June 30, 2015 and 2016. There were no amounts due to The Agricultural Foundation by the California State University, Fresno Foundation at June 30, 2015 and 2016.

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 \$280,000 and \$160,000, for the years ended June 30, 2015 and 2016, respectively. These payments were used to reduce farm operation expenses. The amounts due from The Agricultural Foundation to the University at June 30, 2015 and 2016, were \$60,016 and \$116,784, respectively. The amounts due from the University to The Agricultural Foundation at June 30, 2015 and 2016, were \$6,151 and \$4,230, respectively.

The amounts due from Fresno State Programs for Children at June 30, 2015 and 2016, were \$90 and \$61, 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, 2020.
- Land for grazing purposes, sublease with Running T Ranch, expiring 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.

Designated Net Assets –VERC Reserve at June 30, 2015 and 2016, are as follows:

	<u>2015</u>	<u>2016</u>
VERC Reserve	\$111,875	\$ 91,584

Note 11 – Temporarily Restricted Net Assets

Temporarily Restricted Net Assets at June 30, 2015 and 2016, are available for the following:

	<u>2015</u>	<u>2016</u>
Poultry Unit	\$ 20,426	\$ 30,413
Orchard Unit	<u>0</u>	<u>24,500</u>
Total	\$ 20,426	\$ 54,913

Note 12 - Expenses by Natural Classification

For The Years Ended June 30:

Expenses	2015			2016		
	Program	General & Administrative	Total	Program	General & Administrative	Total
Cost of Sales	\$1,740,508		\$1,740,508	\$1,681,145		\$1,681,145
Salaries/Wages	2,056,515		2,056,515	2,229,214		2,229,214
Employee Benefits	193,911		193,911	199,502		199,502
Advertising	19,274		19,274	23,500		23,500
Audit Fees	0	\$27,105	27,105	0	\$20,458	20,458
Awards/Premiums	28,779		28,779	29,585		29,585
Bad Debts	4,938		4,938	300		300
Capitalized Development Costs-						
Depreciation	17,709		17,709	10,148		10,148
Consulting				64,142		64,142
Custom Harvesting	42,854		42,854	42,700		42,700
Depreciation	173,777		173,777	183,830		183,830
Donations	233,799		233,799	1,862		1,862
Equipment Rental/Repair	496,892		496,892	491,501		491,501
Incentive Fee Transfers	1,194		1,194	0		0
Infrastructure Improvements	1,150		1,150	1,514		1,514
Insurance	26,500	32,478	58,978	31,745	26,712	58,457
Legal Fees	0	0	0	0		0
Licenses/Dues/Fees	54,096	2,335	56,431	58,009	2,282	60,291
Livestock Expense	65,554		65,554	130,792		130,792
Management Services Fee	0	150,200	150,200	0	150,200	150,200
Miscellaneous	73,397	1,562	74,959	73,023	1,380	74,403
Office Supplies/Duplicating	2,994	6,065	9,059	3,446	6,171	9,617
Postage/Freight	8,829		8,829	9,812		9,812
Supplies	823,775		823,775	750,483		750,483
Travel	5,466		5,466	4,613		4,613
Unrealized Loss on Investments	0		0	0		0
Utilities	122,118		122,118	117,395		117,395
Unrelated Business Income Tax	509		509	1,188		1,188
Totals	\$6,194,538	\$219,745	\$6,414,283	\$6,139,449	\$207,203	\$6,346,652

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 August 31, 2016 noting no matters requiring disclosure in the financial statements for the year ended June 30, 2016.

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, 2016
(for inclusion in the California State University)

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 624,728
Short-Term Investments	1,513,936
Accounts Receivable, Net	264,753
Prepaid Expenses and Other Assets	610,750
Total Current Assets	<u>3,014,167</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	54,913
Accounts Receivable, Net	48,367
Endowment Investments	818,576
Capital Assets, Net	1,194,201
Total Noncurrent Assets	<u>2,116,057</u>

Total Assets	<u>5,130,224</u>
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Liabilities:

Current Liabilities:

Accounts Payable	313,216
Accrued Salaries and Benefits Payable	8,774
Accrued Compensated Absences, Current Portion	1,000
Total Current Liabilities	<u>322,990</u>

Noncurrent Liabilities:

Accrued Compensated Absences, Net of Current Portion	4,315
Total Noncurrent Liabilities	<u>4,315</u>

Total Liabilities	<u>327,305</u>
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Net Position:

Net Investment in Capital Assets	1,194,201
Restricted for:	
Expendable:	
Other	54,913
Unrestricted	<u>3,553,805</u>
Total Net Position	<u>\$ 4,802,919</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, 2016
(for inclusion in the California State University)

Revenues:

Operating Revenues:

Sales and Services of Auxiliary Enterprises	\$ 5,360,460
Other Operating Revenues	<u>233,464</u>
Total Operating Revenues	<u>5,593,924</u>

Expenses:

Operating Expenses:

Auxiliary Enterprise Expenses	6,152,674
Depreciation and Amortization	<u>193,978</u>
Total Operating Expenses	<u>6,346,652</u>
Operating Income/(Loss)	<u>(752,728)</u>

Nonoperating Revenues (Expenses):

Gifts, Noncapital	443,975
Investment Income, Net	6,253
Endowment Income/(Loss), Net	<u>(27,974)</u>

Net Nonoperating Revenues (Expenses)	<u>422,254</u>
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Income/(Loss) before Other Revenues	(330,474)
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Grants and Gifts, Capital	<u>11,651</u>
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Increase/(Decrease) in Net Position	(318,823)
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Net Position:

Net Position at Beginning of Year, as Previously Reported	<u>5,121,742</u>
Net Position at End of Year	<u>\$ 4,802,919</u>

See accompanying independent auditors' report.

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
OTHER INFORMATION
JUNE 30, 2016
(for inclusion in the California State University)

1. Restricted Cash and Cash Equivalents at June 30, 2016:
Not Applicable

2.1 Composition of Investments at June 30, 2016:

	Unrestricted	Restricted	Current	Unrestricted	Restricted	Noncurrent	Total
State of California Local Agency Investment Fund (LAIF)	105,548	0	105,548	0	0	0	105,548
Money Market Funds	1,408,388	0	1,408,388	0	0	0	1,408,388
Debt and Equity Securities	0	0	0	818,576	0	818,576	818,576
Total Investments	1,513,936	0	1,513,936	818,576	0	818,576	2,332,512

2.2 Investments held by the University under contractual agreements at June 30, 2016:
Not Applicable

2.3 Restricted Current Investments at June 30, 2016 related to:
Not Applicable

2.4 Restricted Noncurrent Investments at June 30, 2016 related to:
Not Applicable

2.5 Fair value hierarchy in investments at June 30, 2016:

	Fair Value Measurements Using				Net Asset Value (NAV)
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Total					
State of California Local Agency Investment Fund (LAIF)	105,548	105,548	0	0	0
Money Market Funds	1,408,388	1,408,388	0	0	0
Debt and Equity Securities	818,576	0	0	818,576	0
Total Investments	2,332,512	1,513,936	0	818,576	0

3.1 Composition of Capital Assets at June 30, 2016:

	Balance June 30, 2015	Prior Period Adjustments	Reclassifications	Balance 2015 Restated	Additions	Reductions	Transfers Completed CWIP	Balance June 30, 2016
Non-Depreciable Capital Assets:								
Capitalized Development Costs	0	0	0	0	0	0	0	0
Construction Work in Progress (CWIP)	86,223	0	0	86,223	45,362	0	(83,373)	48,212
Total Non-Depreciable Capital Assets	86,223	0	0	86,223	45,362	0	(83,373)	48,212
Depreciable Capital Assets:								
Breeding Herd	240,549	0	0	240,549	10,009	0	0	250,558
Capitalized Development Costs	852,595	0	0	852,595	20,291	0	0	872,886
Personal Property-Equipment	2,432,423	0	0	2,432,423	55,937	0	83,373	2,571,733
Total Depreciable Capital Assets	3,525,567	0	0	3,525,567	86,237	0	83,373	3,695,177
Total Capital Assets	3,611,790	0	0	3,611,790	131,599	0	0	3,743,389
Less Accumulated Depreciation:								
Breeding Herd	(23,268)	0	0	(23,268)	0	(6,437)	0	(29,705)
Capitalized Development Costs	(611,103)	0	0	(611,103)	(10,148)	0	0	(621,251)
Personal Property-Equipment	(1,714,402)	0	0	(1,714,402)	(183,830)	0	0	(1,898,232)
Total Accumulated Depreciation	(2,348,773)	0	0	(2,348,773)	(193,978)	(6,437)	0	(2,549,188)
Total Capital Assets, Net	1,263,017	0	0	1,263,017	(62,379)	(6,437)	0	1,194,201

Note: Additions and Reductions includes \$6,437 adjustment for Breeding Herd changes in valuation recorded in Cost of Sales.

See accompanying independent auditors' report

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
OTHER INFORMATION
JUNE 30, 2016
(for inclusion in the California State University)

3.2 Detail of Depreciation and Amortization Expense for the Year Ended June 30, 2016:

Depreciation and Amortization Expense Related to Capital Assets	193,978
Amortization Expense Related to Other Assets	0
Total Depreciation and Amortization	<u>193,978</u>

3.3 Detail of Intangible Assets for the Year Ended June 30, 2016:

Not Applicable

4 Long-Term Liabilities Activity Schedule:

	Balance June 30, 2015	Prior Period Adjustments	Reclassifications	Balance 2015 Restated	Additions	Reductions	Balance June 30, 2016	Current Portion	Long-Term Portion
Accrued Compensated Absences	3,992	0	0	3,992	6,029	(4,706)	5,315	1,000	4,315

5 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	Auxiliaries
Capital assets, net of accumulated depreciation	0	1,194,201	1,194,201

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	597,401
Payments to University for other than salaries of University personnel	317,928
Payments received from University for services, space, and programs	160,000
Gifts-in-kind to the University from Auxiliary Organizations	0
Gifts (Cash or Assets) to the University from recognized Auxiliary Organizations	0
Accounts payable to University	(116,784)
Accounts receivable from University	4,230

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