

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

**2016-17
Annual Report**

**Approved by the Board of Directors
September 15, 2017**

**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, 2017**

BOARD OF DIRECTORS

Joseph I. Castro	Fresno, California
H. Clay Daulton	Madera, California
Joe Del Bosque	Los Banos, California
Daniel Errotabere	Fresno, California
Larry D. Layne	Sanger, California
Richard Matoian	Fresno, California
Dianne Nury	Fresno, California
Pat V. Ricchiuti	Clovis, California
Sandra Witte	Fresno, California
Sara Woolf	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
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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, 2017 and 2016, 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, 2017 and 2016, 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 Page & Company

Clovis, California
September 7, 2017

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2017

	2016 (Restated)	2017
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Notes 1 and 2)	\$ 2,138,664	\$ 1,593,775
Accounts Receivable	268,253	502,835
Allowance for Doubtful Accounts (Note 1)	(3,500)	(3,500)
Inventories at Cost and Unit Livestock Method (Notes 1 and 3)	608,606	622,444
Investment in Growing Crops (Note 15)	321,674	302,180
Prepaid Expenses	2,144	2,616
Total Current Assets	<u>3,335,841</u>	<u>3,020,350</u>
Noncurrent Assets:		
Restricted:		
Temporarily Restricted Cash (Note 2)	<u>54,913</u>	<u>63,394</u>
Total Restricted Assets	<u>54,913</u>	<u>63,394</u>
Other Assets:		
Long-Term Receivables (Note 4)	48,367	53,471
Investments (Note 5)	<u>818,576</u>	<u>899,766</u>
Total Other Assets	<u>866,943</u>	<u>953,237</u>
Fixed Assets: (Note 1)		
Breeding Herd	250,558	210,722
Equipment	2,571,733	2,569,279
Capitalized Development Costs	872,886	872,886
Construction In Progress	<u>48,212</u>	<u>889,267</u>
Total Fixed Assets	3,743,389	4,542,154
Less: Accumulated Depreciation	<u>(2,549,188)</u>	<u>(2,692,177)</u>
Total Fixed Assets, Net	<u>1,194,201</u>	<u>1,849,977</u>
Total Noncurrent Assets	<u>2,116,057</u>	<u>2,866,608</u>
Total Assets	<u><u>\$ 5,451,898</u></u>	<u><u>\$ 5,886,958</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, 2016 AND 2017

	2016 (Restated)	2017
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current Liabilities:		
Accounts Payable and Other Accrued Expenses	\$ 327,105	\$ 416,965
Deferred Revenue (Note 1)	200	619,836
	<u>327,305</u>	<u>1,036,801</u>
Total Current Liabilities		
Net Assets:		
Unrestricted:		
Undesignated	4,009,520	3,822,830
Designated:		
Agricultural Foundation Endowment Fund (Note 6)	818,576	899,766
Contingency Reserve	150,000	0
VERC Reserve (Note 10)	91,584	64,167
	<u>1,060,160</u>	<u>963,933</u>
Total Designated Net Assets		
Total Unrestricted Net Assets	5,069,680	4,786,763
Restricted:		
Temporarily Restricted Net Assets (Note 11)	54,913	63,394
Total Restricted Net Assets	54,913	63,394
Total Net Assets	5,124,593	4,850,157
Total Liabilities and Net Assets	<u><u>\$ 5,451,898</u></u>	<u><u>\$ 5,886,958</u></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, 2016 AND 2017

	2016 (Restated)	2017
Changes in Unrestricted Net Assets:		
Revenues:		
Gross Sales	\$ 5,433,923	\$ 5,122,179
Agricultural Operations Support/(Deficit)	160,000	160,000
Donated Income	421,140	537,341
Interest Income	38,933	43,803
Unrealized Gain(Loss) on Investments	(60,654)	46,941
	<u>5,993,342</u>	<u>5,910,264</u>
Total Revenues		
Expenses and Losses:		
Cost of Sales	1,681,145	1,571,488
Salaries/Wages	2,229,214	2,263,414
Employee Benefits	199,502	254,127
Advertising	23,500	14,547
Audit Fees	20,458	20,750
Awards/Premiums	29,585	38,454
Bad Debt	300	1,662
Capitalized Development Costs-Depreciation	10,148	23,093
Consulting	64,142	0
Custom Harvesting	42,700	74,722
Depreciation	183,830	167,381
Donations	1,862	794
Equipment Rental/Repair	491,501	427,791
Infrastructure Improvements	1,514	2,052
Insurance	58,457	58,623
Licenses/Dues/Fees	60,291	62,024
Livestock Expense	130,792	160,584
Management Services Fee	150,200	164,000
Miscellaneous	74,403	52,819
Office Supplies/Duplicating	9,617	7,077
Postage/Freight	9,812	10,917
Supplies	750,483	689,546
Travel	4,613	6,719
Utilities	117,395	120,597
Unrelated Business Income Tax	1,188	0
	<u>6,346,652</u>	<u>6,193,181</u>
Total Expenses and Losses		
Increase(Decrease) in Unrestricted Net Assets	<u>(353,310)</u>	<u>(282,917)</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, 2016 AND 2017

	2016 (Restated)	2017
Changes in Temporarily Restricted Net Assets:		
Revenues:		
Donation Income	84,500	60,000
Release from Restrictions:		
Transfer to Orchard	0	(24,500)
Transfer to Poultry	(50,013)	(27,019)
Increase/(Decrease) in Temporarily Restricted Net Assets	34,487	8,481
Increase/(Decrease) in Net Assets	(318,823)	(274,436)
Total Net Assets Beginning	5,121,742	5,124,593
Restatement (Note 15)	321,674	0
Restated Net Assets Beginning	5,443,416	5,124,593
Total Net Assets Ending	\$ 5,124,593	\$ 4,850,157

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, 2016 AND 2017

	2016 (Restated)	2017
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ (318,823)	\$ (274,436)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Depreciation	193,978	190,474
Unrealized (Gain) Loss on Investments	60,654	(46,941)
Donation of Fixed Assets	(11,652)	(22,111)
Changes In:		
Accounts Receivable	42,262	(234,582)
Inventories	269,855	(13,838)
Investment in Growing Crops	0	19,494
Prepaid Expenses	(503)	(472)
Accounts Payable and Accrued Expenses	20,109	89,860
Deferred Revenue	200	619,636
Net Cash Provided (Used) in Operating Activities	<u>256,080</u>	<u>327,084</u>
Cash Flows from Investing Activities		
(Increase) Decrease in Long-Term Receivables	(7,608)	(5,104)
Net Change in Breeding Herd	(3,572)	34,620
Acquisition of Equipment and Capitalized Development Costs	(109,938)	(858,759)
Investment Income Reinvested	<u>(32,680)</u>	<u>(34,249)</u>
Net Cash Provided (Used) in Investing Activities	<u>(153,798)</u>	<u>(863,492)</u>
Net Increase(Decrease) in Cash	102,282	(536,408)
Cash and Cash Equivalents at Beginning of Year	<u>2,091,295</u>	<u>2,193,577</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,193,577</u></u>	<u><u>\$ 1,657,169</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Taxes	<u>\$ 1,188</u>	<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, 2016 and 2017

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. 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.

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, 2017, the FDIC insures cash balances held in interest and noninterest-bearing accounts combined up to \$250,000. At June 30, 2016 and 2017, The Agricultural Foundation's uninsured cash balances at Citibank totaled \$1,832,640 and \$686,894 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, 2016 and 2017 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 \$307,219 and \$417,721 in 2016 and 2017, 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 \$193,978 and \$190,474 in 2016 and 2017, 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 \$23,500 and \$14,547 in 2016 and 2017, 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.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the presentation shown. These reclassifications had no effect on the reported results of operations.

Note 2 – Cash and Cash Equivalents

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

	<u>2016</u>	<u>2017</u>
Deposits:		
Cash in Banks	\$2,083,729	\$942,500
Pooled Funds:		
Cash in State of California Local Agency Investment Fund (LAIF)	105,548	710,369
Cash on Hand	<u>4,300</u>	<u>4,300</u>
Total	<u>\$2,193,577</u>	<u>\$1,657,169</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 \$2,193,577 and \$1,657,169 in 2016 and 2017, temporarily restricted cash was \$54,913 and \$63,394 in 2016 and 2017, 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, 2016 and 2017 consist of the following:

	<u>2016</u>	<u>2017</u>
Winery	\$163,485	\$110,523
Dairy	274,647	313,305
Beef	85,180	81,266
Others	<u>85,294</u>	<u>117,350</u>
Total	<u>\$608,606</u>	<u>\$622,444</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>2016</u>	<u>2017</u>
California Dairies Inc.	<u>\$48,367</u>	<u>\$53,471</u>

Note 5 – Investments

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

<u>2016</u>	<u>Original Investment</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>
<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>

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 2017, 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

Note 6 – Endowment, continued

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, 2016 and 2017 were as follows:

	<u>2016</u>	<u>2017</u>
Board-designated endowment net assets, July 1	\$846,550	\$818,576
Net appreciation (depreciation)	(60,654)	46,941
Amounts reinvested	32,680	34,249
Amounts appropriated for expenditure	<u>0</u>	<u>0</u>
Board-designated endowment net assets, June 30	<u>\$818,576</u>	<u>\$899,766</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>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>
<u>2017</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>

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, 2016 and 2017:

Administrative fees paid to the Association for management services were \$150,200 and \$164,000 for the years ended June 30, 2016 and 2017, respectively based on a flat fee arrangement. The amounts due The Agricultural Foundation from the Association at June 30, 2016 and 2017, were \$505 and \$664, respectively. The amounts due the Association from The Agricultural Foundation at June 30, 2016 and 2017, were \$757 and \$10, respectively.

There were no amounts due to the California State University, Fresno Foundation by The Agricultural Foundation at June 30, 2016 and 2017. There were no amounts due to The Agricultural Foundation by the California State University, Fresno Foundation at June 30, 2016 and 2017.

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 \$160,000 for the year ended June 30, 2016 and \$533,260 for year ended June 30, 2017; of which \$373,260 was included in deferred revenue. These payments were used to reduce farm operation expenses. The amounts due from The Agricultural Foundation to the University at June 30, 2016 and 2017, were \$116,784 and \$44,428, respectively. The amounts due from the University to The Agricultural Foundation at June 30, 2016 and 2017, were \$4,230 and \$252,888, respectively.

The amounts due from Fresno State Programs for Children at June 30, 2016 and 2017, were \$61 and \$0, 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, 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. 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 2017 is \$0.

Designated Net Assets –VERC Reserve at June 30, 2016 and 2017 are as follows:

	<u>2016</u>	<u>2017</u>
VERC Reserve	<u>\$91,584</u>	<u>\$ 64,167</u>

Note 11 – Temporarily Restricted Net Assets

Temporarily Restricted Net Assets at June 30, 2016 and 2017, are available for the following:

	2016	2017
Poultry Unit	\$ 30,413	\$ 63,394
Orchard Unit	<u>24,500</u>	<u>0</u>
Total	<u>\$ 54,913</u>	<u>\$ 63,394</u>

Note 12 – Expenses by Natural Classification

For The Years Ended June 30:

Expenses	Program	2016 General & Administrative	Total	Program	2017 General & Administrative	Total
Cost of Sales	\$1,681,145		\$1,681,145	\$1,571,488		\$1,571,488
Salaries/Wages	2,229,214		2,229,214	2,263,414		2,263,414
Employee Benefits	199,502		199,502	254,127		254,127
Advertising	23,500		23,500	14,547		14,547
Audit Fees	0	\$20,458	20,458	0	\$20,750	20,750
Awards/Premiums	29,585		29,585	38,454		38,454
Bad Debts	300		300	1,662		1,662
Capitalized Development Costs-						
Depreciation	10,148		10,148	23,093		23,093
Consulting	64,142		64,142	0		0
Custom Harvesting	42,700		42,700	74,722		74,722
Depreciation	183,830		183,830	167,381		167,381
Donations	1,862		1,862	794		794
Equipment Rental/Repair	491,501		491,501	427,791		427,791
Infrastructure Improvements	1,514		1,514	2,052		2,052
Insurance	31,745	26,712	58,457	32,535	26,088	58,623
Licenses/Dues/Fees	58,009	2,282	60,291	59,921	2,103	62,024
Livestock Expense	130,792		130,792	160,584		160,584
Management Services Fee	0	150,200	150,200	0	164,000	164,000
Miscellaneous	73,023	1,380	74,403	51,380	1,439	52,819
Office Supplies/Duplicating	3,446	6,171	9,617	3,304	3,773	7,077
Postage/Freight	9,812		9,812	10,917		10,917
Supplies	750,483		750,483	689,546		689,546
Travel	4,613		4,613	6,719		6,719
Utilities	117,395		117,395	120,597		120,597
Unrelated Business Income Tax	1,188		1,188	0		0
Totals	<u>\$6,139,449</u>	<u>\$207,203</u>	<u>\$6,346,652</u>	<u>\$5,975,028</u>	<u>\$218,153</u>	<u>\$6,193,181</u>

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 7, 2017 noting no matters requiring disclosure in the financial statements for the year ended June 30, 2017.

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.

Note 15 – Restatement

During the year ended June 30, 2017, The Ag Foundation determined that assets were understated in the prior year. The understatement is the result of the omission of Investment in Growing Crops. The Ag Foundation has restated unrestricted assets as of June 30, 2016. As a result of the restatement, total assets and unrestricted net assets were increased by \$321,674.

ADDITIONAL INFORMATION FOR
CALIFORNIA STATE UNIVERSITY, FRESNO

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
SCHEDULE OF NET POSITION
JUNE 30, 2017
(for inclusion in the California State University)

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 672,484
Short-Term Investments	921,291
Accounts Receivable, Net	499,335
Prepaid Expenses and Other Assets	927,240
Total Current Assets	<u>3,020,350</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	63,394
Accounts Receivable, Net	53,471
Endowment Investments	899,766
Capital Assets, Net	1,849,977
Total Noncurrent Assets	<u>2,866,608</u>

Total Assets	<u>5,886,958</u>
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Liabilities:

Current Liabilities:

Accounts Payable	409,252
Accrued Salaries and Benefits Payable	2,715
Accrued Compensated Absences, Current Portion	1,000
Unearned Revenue	619,836
Total Current Liabilities	<u>1,032,803</u>

Noncurrent Liabilities:

Accrued Compensated Absences, Net of Current Portion	3,998
Total Noncurrent Liabilities	<u>3,998</u>

Total Liabilities	<u>1,036,801</u>
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Net Position:

Net Investment in Capital Assets	1,849,977
Restricted for:	
Expendable:	
Other	63,394
Unrestricted	<u>2,936,786</u>
Total Net Position	<u>\$ 4,850,157</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, 2017
(for inclusion in the California State University)

Revenues:

Operating Revenues:

Sales and Services of Auxiliary Enterprises	\$ 5,062,097
Other Operating Revenues	<u>220,082</u>
Total Operating Revenues	<u>5,282,179</u>

Expenses:

Operating Expenses:

Auxiliary Enterprise Expenses	6,002,707
Depreciation and Amortization	<u>190,474</u>
Total Operating Expenses	<u>6,193,181</u>
Operating Income/(Loss)	<u>(911,002)</u>

Nonoperating Revenues (Expenses):

Gifts, Noncapital	499,211
Investment Income, Net	9,554
Endowment Income/(Loss), Net	<u>81,190</u>
Net Nonoperating Revenues (Expenses)	<u>589,955</u>

Income/(Loss) before Other Revenues (321,047)

Grants and Gifts, Capital 46,611

Increase/(Decrease) in Net Position (274,436)

Net Position:

Net Position at Beginning of Year, as Previously Reported	4,802,919
Restatements	<u>321,674</u>
Net Position at Beginning of Year, as Restated	<u>5,124,593</u>
Net Position at End of Year	<u><u>\$ 4,850,157</u></u>

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
OTHER INFORMATION
JUNE 30, 2017
(for inclusion in the California State University)

1. Restricted Cash and Cash Equivalents at June 30, 2017:
All other restricted cash and cash equivalents

\$ 63,394

- 2.1 Composition of Investments at June 30, 2017:

	Unrestricted	Restricted	Current	Unrestricted	Restricted	Noncurrent	Total
State of California Local Agency Investment Fund (LAIF)	\$ 710,369	\$ -	\$ 710,369	\$ -	\$ -	\$ -	\$ 710,369
Money Market Funds	210,922	-	210,922	-	-	-	210,922
Debt and Equity Securities	-	-	-	899,766	-	899,766	899,766
Total Investments	<u>\$ 921,291</u>	<u>\$ -</u>	<u>\$ 921,291</u>	<u>\$ 899,766</u>	<u>\$ -</u>	<u>\$ 899,766</u>	<u>\$ 1,821,057</u>

- 2.2 Investments held by the University under contractual agreements at June 30, 2017:
Not Applicable

- 2.3 Restricted Current Investments at June 30, 2017 related to:
Not Applicable

- 2.4 Restricted Noncurrent Investments at June 30, 2017 related to:
Not Applicable

- 2.5 Fair value hierarchy in investments at June 30, 2017:

	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)	\$ 710,369	\$ 710,369	\$ -	\$ -	\$ -
Money Market Funds	210,922	210,922	-	-	-
Debt and Equity Securities	899,766	-	899,766	-	-
Total Investments	<u>\$ 1,821,057</u>	<u>\$ 921,291</u>	<u>\$ -</u>	<u>\$ 899,766</u>	<u>\$ -</u>

- 3.1 Composition of Capital Assets at June 30, 2017:

	Balance June 30, 2016	Prior Period Adjustments	Reclassifications	Balance 2016 Restated	Additions	Reductions	Transfers Completed CWIP	Balance June 30, 2017
Non-Depreciable Capital Assets:								
Capitalized Development Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction Work in Progress (CWIP)	48,212	0	0	48,212	841,055	0	0	889,267
Total Non-Depreciable Capital Assets	<u>48,212</u>	<u>0</u>	<u>0</u>	<u>48,212</u>	<u>841,055</u>	<u>0</u>	<u>0</u>	<u>889,267</u>
Depreciable Capital Assets:								
Breeding Herd	250,558	0	0	250,558	0	(39,836)	0	210,722
Capitalized Development Costs	872,886	0	0	872,886	0	0	0	872,886
Personal Property-Equipment	2,571,733	0	0	2,571,733	39,816	(42,270)	0	2,569,279
Total Depreciable Capital Assets	<u>3,695,177</u>	<u>0</u>	<u>0</u>	<u>3,695,177</u>	<u>39,816</u>	<u>(82,106)</u>	<u>0</u>	<u>3,652,887</u>
Total Capital Assets	<u>3,743,389</u>	<u>0</u>	<u>0</u>	<u>3,743,389</u>	<u>880,871</u>	<u>(82,106)</u>	<u>0</u>	<u>4,542,154</u>
Less Accumulated Depreciation:								
Breeding Herd	(29,705)	0	0	(29,705)	0	5,215	0	(24,490)
Capitalized Development Costs	(621,251)	0	0	(621,251)	(23,093)	0	0	(644,344)
Personal Property-Equipment	(1,898,232)	0	0	(1,898,232)	(167,381)	42,270	0	(2,023,343)
Total Accumulated Depreciation	<u>(2,549,188)</u>	<u>0</u>	<u>0</u>	<u>(2,549,188)</u>	<u>(190,474)</u>	<u>47,485</u>	<u>0</u>	<u>(2,692,177)</u>
Total Capital Assets, Net	<u>\$ 1,194,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,194,201</u>	<u>\$ 690,397</u>	<u>\$ (34,621)</u>	<u>\$ -</u>	<u>\$ 1,849,977</u>

Note: Additions and Reductions includes \$5,215 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, 2017
(for inclusion in the California State University)

3.2 Detail of Depreciation and Amortization Expense for the Year Ended June 30, 2017:

Depreciation and Amortization Expense Related to Capital Assets	\$ 190,474
Amortization Expense Related to Other Assets	0
Total Depreciation and Amortization	<u>\$ 190,474</u>

3.3 Detail of Intangible Assets for the Year Ended June 30, 2017:
Not Applicable

4. Long-Term Liabilities Activity Schedule:

	Balance June 30, 2016	Prior Period Adjustments	Reclassifications	Balance 2016 Restated	Additions	Reductions	Balance June 30, 2017	Current Portion	Long-Term Portion
Accrued Compensated Absences	\$ 5,315	\$ -	\$ -	\$ 5,315	\$ 8,892	\$ (9,209)	\$ 4,998	\$ 1,000	\$ 3,998

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	Auxillaries
Capital assets, net of accumulated depreciation	\$ -	\$ 1,849,977	\$ 1,849,977

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	397,024
Payments to University for other than salaries of University personnel	171,671
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	0
Accounts (payable to) University	(44,428)
Accounts receivable from University	252,888

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:

Net position as of June 30, 2016, as previously reported	Net Position Class	Amount Dr. (Cr.)
Prior period adjustments:		
Correction of Error-Record Investment in Growing Crops	Unrestricted	(321,674)
Net position as of June 30, 2016, as restated		<u>\$ (5,124,593)</u>

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	Debit	Credit
Investment in Growing Crops	\$ 321,674	
Unrestricted Net Position		\$ 321,674
See accompanying independent auditors' report		