

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

**2018-19
Annual Report**

Approved by the Board of Directors
September 13, 2019

**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, 2019**

BOARD OF DIRECTORS

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

CORPORATE OFFICERS

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

AUDIT COMMITTEE

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

EXECUTIVE STAFF

Ms. Deborah S. Adishian-Astone	Executive Director
Ms. Kate Tuckness	Auxiliary Controller
Ms. Rina Gonzales (7/1/18 – 4/26/19)	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, 2019 and 2018, 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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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, 2019 and 2018, 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 20-24 is presented, as required by the Chancellor of the California State University, for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Price Pange & Company

Clovis, California
September 5, 2019

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2019

	<u>2018</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Notes 3 and 4)	\$ 1,168,447	\$ 594,401
Accounts Receivable (Note 2)	434,662	470,736
Allowance for Doubtful Accounts (Note 2)	(3,500)	(3,500)
Inventories at Cost and Unit Livestock Method (Notes 2 and 6)	638,174	693,767
Investment in Growing Crops (Note 2)	346,590	318,379
Prepaid Expenses (Note 2)	<u>2,810</u>	<u>1,764</u>
Total Current Assets	<u>2,587,183</u>	<u>2,075,547</u>
Noncurrent Assets:		
Restricted:		
Restricted Cash (Note 2)	<u>95,781</u>	<u>112,463</u>
Total Restricted Assets	<u>95,781</u>	<u>112,463</u>
Other Assets:		
Long-Term Receivables (Note 7)	51,260	48,865
Investments (Note 5 and 8)	<u>961,687</u>	<u>994,436</u>
Total Other Assets	<u>1,012,947</u>	<u>1,043,301</u>
Fixed Assets: (Note 2)		
Breeding Herd	244,372	278,552
Equipment	2,602,458	2,610,203
Capitalized Development Costs	784,582	1,077,984
Construction In Progress	<u>357,673</u>	<u>87,852</u>
Total Fixed Assets	3,989,085	4,054,591
Less: Accumulated Depreciation	<u>(2,769,814)</u>	<u>(2,956,809)</u>
Total Fixed Assets, Net	<u>1,219,271</u>	<u>1,097,782</u>
Total Noncurrent Assets	<u>2,327,999</u>	<u>2,253,546</u>
Total Assets	<u><u>\$ 4,915,182</u></u>	<u><u>\$ 4,329,093</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, 2018 AND 2019

	<u>2018</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts Payable and Other Accrued Expenses	\$ 471,071	\$ 500,131
Deferred Revenue (Note 2)	<u>19,125</u>	<u>22,859</u>
Total Current Liabilities	<u>490,196</u>	<u>522,990</u>
Net Assets:		
Without Donor Restrictions (Note 9)	4,329,205	3,693,640
With Donor Restrictions (Note 9)	<u>95,781</u>	<u>112,463</u>
Total Net Assets	<u>4,424,986</u>	<u>3,806,103</u>
Total Liabilities and Net Assets	<u><u>\$ 4,915,182</u></u>	<u><u>\$ 4,329,093</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 YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues and Other Support:			
Gross Sales	\$ 4,971,244	\$ 1,947	\$ 4,973,191
Agricultural Operations Support/(Deficit)	156,360	3,640	160,000
Contributions	560,606	60,000	620,606
Interest Income	50,870	0	50,870
Net Assets Released from Restrictions	48,905	(48,905)	0
Total Revenues and Other Support	5,787,985	16,682	5,804,667
Expenses:			
Cost of Sales	1,449,967	0	1,449,967
Salaries/Wages (Note 13)	2,542,929	0	2,542,929
Employee Benefits (Note 13)	249,681	0	249,681
Advertising	14,209	0	14,209
Audit Fees	21,995	0	21,995
Awards/Premiums	34,602	0	34,602
Bad Debt	13,593	0	13,593
Capitalized Development Costs-Depreciation	26,875	0	26,875
Custom Harvesting	107,675	0	107,675
Depreciation	134,589	0	134,589
Donations	582	0	582
Equipment Rental/Repair	423,175	0	423,175
Insurance	54,432	0	54,432
Licenses/Dues/Fees	73,454	0	73,454
Livestock Expense	178,510	0	178,510
Management Services Fee	164,624	0	164,624
Miscellaneous	51,858	0	51,858
Office Supplies/Duplicating	8,481	0	8,481
Postage/Freight	8,232	0	8,232
Rent	5,281	0	5,281
Supplies	760,924	0	760,924
Travel	4,972	0	4,972
Utilities	125,659	0	125,659
Total Expenses	6,456,299	0	6,456,299
Change in Net Assets from Operations	(668,314)	16,682	(651,632)
Nonoperating Activities			
Investment Return, Net	32,749	0	32,749
Total Nonoperating Activities	32,749	0	32,749
Change in Net Assets	(635,565)	16,682	(618,883)
Net Assets, Beginning of Year	4,329,205	95,781	4,424,986
Net Assets, End of Year	\$ 3,693,640	\$ 112,463	\$ 3,806,103

The accompanying notes are an integral part of the financial statements

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

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues and Other Support:			
Gross Sales	\$ 5,091,710	\$ 0	\$ 5,091,710
Agricultural Operations Support/(Deficit)	812,104	0	812,104
Contributions	517,132	62,500	579,632
Interest Income	52,615	0	52,615
Net Assets Released from Restrictions	30,113	(30,113)	0
Total Revenues and Other Support	6,503,674	32,387	6,536,061
Expenses:			
Cost of Sales	1,530,840	0	1,530,840
Salaries/Wages (Note 13)	2,349,564	0	2,349,564
Employee Benefits (Note 13)	273,663	0	273,663
Advertising	8,939	0	8,939
Audit Fees	20,380	0	20,380
Awards/Premiums	32,646	0	32,646
Bad Debt	1,940	0	1,940
Capitalized Development Costs-Depreciation	25,894	0	25,894
Custom Harvesting	81,573	0	81,573
Depreciation	143,025	0	143,025
Donations	652,441	0	652,441
Equipment Rental/Repair	426,193	0	426,193
Insurance	58,575	0	58,575
Licenses/Dues/Fees	57,705	0	57,705
Livestock Expense	169,136	0	169,136
Management Services Fee	172,200	0	172,200
Miscellaneous	69,986	0	69,986
Office Supplies/Duplicating	10,051	0	10,051
Postage/Freight	9,123	0	9,123
Rent	0	0	0
Supplies	749,328	0	749,328
Travel	5,625	0	5,625
Utilities	136,159	0	136,159
Total Expenses	6,984,986	0	6,984,986
Change in Net Assets from Operations	(481,312)	32,387	(448,925)
Nonoperating Activities			
Investment Return, Net	23,754	0	23,754
Total Nonoperating Activities	23,754	0	23,754
Change in Net Assets	(457,558)	32,387	(425,171)
Net Assets, Beginning of Year	4,786,763	63,394	4,850,157
Net Assets, End of Year	\$ 4,329,205	\$ 95,781	\$ 4,424,986

The accompanying notes are an integral part of the financial statements

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2019

	2018	2019
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ (425,171)	\$ (618,883)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Depreciation	168,919	161,464
Unrealized (Gain) Loss on Investments	(23,754)	(32,749)
Donation Expense (Income) of Fixed Assets	652,104	(7,746)
Changes In:		
Accounts Receivable	68,174	(36,074)
Inventories	(15,730)	(55,593)
Investment in Growing Crops	(44,410)	28,211
Prepaid Expenses	(194)	1,046
Accounts Payable and Accrued Expenses	71,888	29,061
Deferred Revenue	(618,495)	3,734
Net Cash Provided (Used) in Operating Activities	(166,669)	(527,529)
Cash Flows from Investing Activities		
(Increase) Decrease in Long-Term Receivables	2,211	2,395
Net Change in Breeding Herd	(32,746)	(8,649)
Acquisition of Equipment and Capitalized Development Costs	(157,570)	(23,581)
Investment Income Reinvested	(38,167)	0
Net Cash Provided (Used) in Investing Activities	(226,272)	(29,835)
Net Increase(Decrease) in Cash	(392,941)	(557,364)
Cash and Cash Equivalents at Beginning of Year	1,657,169	1,264,228
Cash and Cash Equivalents at End of Year	\$ 1,264,228	\$ 706,864
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Taxes	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2019

Note 1 – General Information

The Agricultural Foundation of California State University, Fresno (The Agricultural Foundation) was incorporated on December 3, 1954 as a nonprofit corporation. It is a tax-exempt corporation under section 501(c)(3) of the Internal Revenue Code.

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, 2018, approximately 13% and 11% of the Agricultural Foundation's revenue was from sales by the Mature Orchard and Dairy, respectively. For the year ended June 30, 2019, approximately 13% and 12% of The Agricultural Foundation's revenue was from sales by the Mature Orchard and Gibson Farm Market, respectively.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation - The financial statements of The Agricultural Foundation have been prepared in accordance with US generally accepted accounting principles (US GAAP), which requires The Agricultural Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of The Agricultural Foundation's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of The Agricultural Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Basis of Accounting - Basis of accounting refers to the timing of when various financial transactions are recognized in the accounts and reported in the financial statements. The accounting records of The Agricultural Foundation are maintained using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when goods or services are received.

Measure of Operations - The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to The Agricultural Foundation's ongoing farm laboratory services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposit accounts and money market funds with financial institutions. The Agricultural Foundation considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. At June 30, 2018 and 2019, The Agricultural Foundation's uninsured cash balances at Citibank totaled \$732,350 and \$471,531, respectively.

Concentrations of Credit Risk – Financial instruments that potentially subject The Agricultural Foundation to concentrations of credit risk consist principally of cash and cash equivalents. The Agricultural Foundation maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Agricultural Foundation's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Agricultural Foundation has not experienced, nor does it anticipate, any losses with respect to such accounts.

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 are still 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, 2018 and 2019 were \$3,500 each year.

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

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

Prepaid Deposits – Prepaid deposits are comprised of an amount on deposit with the State Compensation Insurance Fund.

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

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.

Equipment is stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to ten years. The Agricultural Foundation's policy is to capitalize renewals and betterments acquired for greater than \$5,000 and expense normal repairs and maintenance as incurred. Fully depreciated assets, which have economic value, are retained on the books although fully depreciated.

Note 2 - Summary of Significant Accounting Policies (continued)

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 \$168,919 and \$161,464 in 2018 and 2019, respectively.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Agricultural Foundation has net assets with donor restrictions of \$95,781 and \$112,463 in 2018 and 2019, respectively.

Contributed fixed assets are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-Kind Donations - 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 \$446,645 and \$454,822 in 2018 and 2019, respectively in salaries and benefits in support of the University Farm.

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

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

Advertising Costs - Advertising costs are expensed as incurred and totaled \$8,939 and \$14,209 in 2018 and 2019, respectively.

Functional Expenses - 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 benefited. Such allocations are determined by management on an equitable basis.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncement – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The Agricultural Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 – Availability and Liquidity

The following represents The Agricultural Foundation's financial assets at June 30, 2018 and 2019:

Financial assets at year end:	2018	2019
Cash and cash equivalents	\$ 1,264,228	\$ 706,864
Accounts receivable, net	431,162	467,236
Investments	961,687	994,436
Total financial assets	2,657,077	2,168,536
Less amounts not available to be used within one year:		
Net assets with donor restrictions	95,781	112,463
Less net assets with purpose restrictions		
VERC board designation	64,167	64,167
Quasi endowment established by the board	961,687	994,436
	1,121,635	1,171,066
Financial assets available to meet general expenditures over the next twelve months	\$ 1,535,442	\$ 997,470

As part of its liquidity plan, excess cash is invested in short-term investments including money market and State of California Local Agency Investment Fund (LAIF) accounts.

The Agricultural Foundation's reserve policy requires financial assets of \$1,500,000 or 50% of the budgeted operating expenses (less depreciation) for the next fiscal year, whichever is greater. Fifty percent of the budgeted operating expenses, net of depreciation are \$3,002,051 and \$2,953,616 at June 30, 2018 and June 30, 2019, respectively. Based on the available cash balances above, the Agricultural Foundation is not meeting its minimum reserve requirements at June 30, 2019.

Management and the Board of Directors of The Agricultural Foundation are formulating an action plan to improve cash reserves by reducing livestock herd sizes in the Equine, Dairy and Swine units, and reducing the student payroll expense by approximately 10% on or prior to December 31, 2019.

Note 3 – Availability and Liquidity (Continued)

On August 30, 2019, the Board of Directors approved 1) the elimination of the above purpose restrictions (VERC Designated Reserve) and 2) approved a revised Reserve Policy reducing the amount of working capital reserve minimum to \$750,000 or 15% of budgeted operating expenses (less depreciation) for the next fiscal year whichever is greater.

Management believes with the proposed operational changes and realignment of cash reserves, The Agricultural Foundation will be able to sustain operations during the next fiscal year.

Note 4 – Cash and Cash Equivalents

Cash and cash equivalents at June 30 consisted of the following:

	2018	2019
Deposits:		
Cash in Bank	\$ 527,447	\$ 254,219
Money Market	414,253	321,280
Pooled Funds:		
Cash in State of California Local Agency Investment Fund	319,428	128,265
Pooled Funds:	3,100	3,100
Total	<u>\$ 1,264,228</u>	<u>\$ 706,864</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.

Note 5 – 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.

Note 5 – Fair Value Measurements (continued)

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>2018</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 1,264,228	\$ 1,264,228	\$ 0	\$ 0
Investment	961,687	0	0	961,687
Totals	<u>\$ 2,225,915</u>	<u>\$ 1,264,228</u>	<u>\$ 0</u>	<u>\$ 961,687</u>

<u>2019</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 706,864	\$ 706,864	\$ 0	\$ 0
Investment	994,436	0	0	994,436
Totals	<u>\$ 1,701,300</u>	<u>\$ 706,864</u>	<u>\$ 0</u>	<u>\$ 994,436</u>

Note 6 – Inventories

Inventories at June 30, 2018 and 2019 consist of the following:

	<u>2018</u>	<u>2019</u>
Winery	\$ 126,445	\$ 198,498
Dairy	346,158	363,775
Beef	85,121	83,643
Others	80,450	47,851
Total	<u>\$ 638,174</u>	<u>\$ 693,767</u>

Note 7 – 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>2018</u>	<u>2019</u>
California Dairies Inc.	<u>\$ 51,260</u>	<u>\$ 48,865</u>

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Note 8 – Investments

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

	Original Investment	Market Value	Unrealized Gain/(Loss)
2018			
Fresno State Foundation Endowment Pool	\$ 737,645	\$ 961,687	\$ 224,042
Totals	\$ 737,645	\$ 961,687	\$ 224,042
	Original Investment	Market Value	Unrealized Gain/(Loss)
2019			
Fresno State Foundation Endowment Pool	\$ 737,645	\$ 994,436	\$ 256,791
Totals	\$ 737,645	\$ 994,436	\$ 256,791

Note 9 – Net Assets

Net assets without donor restrictions were as follows for the years ended June 30, 2018 and 2019:

	2018	2019
Undesignated	\$ 3,303,351	\$ 2,635,037
Designated, Fresno State Foundation Endowment Pool	961,687	994,436
Designated, VERC Reserve	64,167	64,167
Totals	\$ 4,329,205	\$ 3,693,640

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 net assets without donor restrictions.

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 2019, the Board authorized a distribution.

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.

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Note 9 – Net Assets (Continued)

Composition of and changes in endowment net assets for the years ending June 30, 2018 and 2019 were as follows:

	2018	2019
Board-designated endowment net assets, July 1	\$ 899,766	\$ 961,687
Net appreciation (depreciation)	23,754	69,680
Amount reinvested	38,167	0
Amounts appropriated for expenditures	0	(36,931)
Board –designated endowment net assets, June 30	<u>\$ 961,687</u>	<u>\$ 994,436</u>

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 transfers 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 2019 is \$0. On August 30, 2019, the Board of Directors approved the elimination of the VERC Reserve as part of its liquidity plan (see Note 3).

Net assets with donor restrictions were as follows for the years ended June 30, 2018 and 2019:

	2018	2019
Ornamental Horticulture	\$ 2,500	\$ 0
Poultry Reserve	93,281	112,463
Totals	<u>\$ 95,781</u>	<u>\$ 112,463</u>

Poultry Reserve – In January 2012, an operating agreement was executed between Foster Farms, LLC and The Agricultural Foundation to maintain the proper facilities, conduct research and to raise and prepare broilers for processing. The agreement will automatically renew in June 2021 for a 5 year term unless terminated by either party.

Note 10 – 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, 2018 and 2019:

Administrative fees paid to the Association for management services were \$172,200 and \$164,624 for the years ended June 30, 2018 and 2019, respectively based on a flat fee arrangement. The amounts due The Agricultural Foundation from the Association at June 30, 2018 and 2019, were \$1,725 and \$393, respectively. The amounts due the Association from The Agricultural Foundation at June 30, 2018 and 2019, were \$90 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 \$493,398 for the year ended June 30, 2018 and \$160,000 for year ended June 30, 2019. These payments were used to reduce farm operation expenses. During the fiscal year ended June 30, 2018, the Agricultural Foundation donated to the

Note 10 – Related Parties (Continued)

University a Post Harvest Cooler in the amount of \$652,104. The amounts due from The Agricultural Foundation to the University at June 30, 2018 and 2019, were \$118,551 and \$131,654, respectively. The amounts due from the University to The Agricultural Foundation at June 30, 2018 and 2019, were \$8,427 and \$12,999, respectively.

The amounts due The Agricultural Foundation from California State University, Fresno Foundation at June 30, 2018 and 2019, were \$0 and \$37,285, respectively.

The amounts due The Agricultural Foundation from Fresno State Programs for Children, Inc. at June 30, 2018 and 2019, were \$0 and \$20, respectively.

The amounts due The Agricultural Foundation from Fresno State Athletics at June 30, 2018 and 2019, were \$2,000 and \$2,500, respectively.

Note 11 – 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 30, 2020.

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Note 12 – Expenses by Natural/Functional Classification

The accompanying statement of activities reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable and systematic basis that is consistently applied by management in the preparation of its annual financial statements. All of The Agricultural Foundation's expenses are directly allocated to the functional categories by cost center. Such methodologies are deemed by management to be reasonable and appropriate and reflective of the functional purpose of each cost incurred for the respective reporting period.

The following is a detailed list of expenses by natural/functional classification for the years ended June 30:

	2018			2019		
	Program	General/ Admin	Total	Program	General/ Admin	Total
Cost of Sales	\$1,530,840	\$ 0	\$1,530,840	\$1,449,967	\$ 0	\$1,449,967
Salaries/Wages	2,349,564	0	2,349,564	2,542,929	0	2,542,929
Employee Benefits	273,663	0	273,663	249,681	0	249,681
Advertising/Publicity	8,939	0	8,939	14,209	0	14,209
Audit Fees	0	20,380	20,380	0	21,995	21,995
Awards/Premiums	32,646	0	32,646	34,602	0	34,602
Bad Debts	1,940	0	1,940	13,593	0	13,593
Capitalized Development						
Costs/Depreciation	25,894	0	25,894	26,875	0	26,875
Custom Harvesting	81,573	0	81,573	107,675	0	107,675
Depreciation	143,025	0	143,025	134,589	0	134,589
Donations	652,441	0	652,441	582	0	582
Equip Rental/Repair	426,193	0	426,193	423,175	0	423,175
Insurance	30,147	28,428	58,575	28,536	25,896	54,432
Licenses/Dues/Fees	54,981	2,724	57,705	70,121	3,333	73,454
Livestock Expense	169,136	0	169,136	178,510	0	178,510
Management Service Fee	0	172,200	172,200	0	164,624	164,624
Miscellaneous	68,425	1,561	69,986	50,839	1,019	51,858
Office Supplies	4,502	5,549	10,051	3,354	5,127	8,481
Postage/Freight	9,123	0	9,123	8,232	0	8,232
Rent	0	0	0	5,281	0	5,281
Supplies	749,328	0	749,328	760,924	0	760,924
Travel	5,625	0	5,625	4,972	0	4,972
Utilities	136,159	0	136,159	125,659	0	125,659
Totals	\$6,754,144	\$ 230,842	\$6,984,986	\$6,234,305	\$ 221,994	\$6,456,299

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.

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Note 13 – Salaries/Wages and Employee Benefits

Salaries/Wages at June 30, 2018 and 2019 are reflected on the Statements of Activities and consist of the following:

	2018	2019
Salaries/Wages	\$ 399,772	\$ 341,890
Salaries Reimbursed to the University	846,643	896,842
Salaries Donated by the University	289,491	297,853
Contract Labor – Outside	813,658	1,006,344
Total Salaries/Wages	<u>\$ 2,349,564</u>	<u>\$ 2,542,929</u>

Employee Benefits at June 30, 2018 and 2019 are reflected on the Statements of Activities and consist of the following:

	2018	2019
Employee Benefits	\$ 116,509	\$ 92,712
Employee Benefits Donated by the University	157,154	156,969
Total Employee Benefits	<u>\$ 273,663</u>	<u>\$ 249,681</u>

Note 14 – Subsequent Events

The Agricultural Foundation has evaluated subsequent events through September 5, 2019, which is the date the financial statements were available to be issued. The Agricultural Foundation is not aware of any material subsequent events requiring disclosure in the financial statements for the year ended June 30, 2019 .

Note 15 - Uncertain Tax Positions

Income Taxes – The Agricultural Foundation is exempt from Federal and State of California income tax under IRC section 501(c)(3) and California Revenue and Taxation Code Section 23701(d), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Agricultural Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Agricultural Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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, 2019
(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 144,856
Short-term investments	449,545
Accounts receivable, net	467,236
Prepaid expenses and other current assets	<u>1,013,910</u>
Total current assets	<u>2,075,547</u>

Noncurrent assets:

Restricted cash and cash equivalents	112,463
Accounts receivable, net	48,865
Endowment investments	994,436
Capital assets, net	<u>1,097,782</u>
Total noncurrent assets	<u>2,253,546</u>
Total assets	<u>4,329,093</u>

Liabilities:

Current liabilities:

Accounts payable	488,378
Accrued salaries and benefits	5,754
Accrued compensated absences, current portion	1,000
Unearned revenues	<u>22,859</u>
Total current liabilities	<u>517,991</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	<u>4,999</u>
Total noncurrent liabilities	<u>4,999</u>
Total liabilities	<u>522,990</u>

Net Position:

Net investment in capital assets	1,097,782
Restricted for:	—
Expendable:	—
Others	112,463
Unrestricted	<u>2,595,858</u>
Total net position	<u>\$ 3,806,103</u>

The Agricultural Foundation of California State University, Fresno
Schedule of Revenues, Expenses, and Changes in Net Position
June 30, 2019
(for inclusion in the California State University)

Revenues:

Operating revenues:

Sales and services of auxiliary enterprises, gross
Other operating revenues

\$ 4,973,191
160,000

Total operating revenues

5,133,191

Expenses:

Operating expenses:

Auxiliary enterprise expenses
Depreciation and amortization

6,294,835
161,464

Total operating expenses

6,456,299

Operating income (loss)

(1,323,108)

Nonoperating revenues (expenses):

Gifts, noncapital
Investment income (loss), net
Endowment income (loss), net

620,606
50,870
32,749

Net nonoperating revenues (expenses)

704,225

Increase (decrease) in net position

(618,883)

Net position:

Net position at beginning of year, as previously reported
Restatements

4,424,986

Net position at beginning of year, as restated

4,424,986

Net position at end of year

\$ 3,806,103

The Agricultural Foundation of California State University, Fresno
Other Information
June 30, 2019
(for inclusion in the California State University)

1. Cash and cash equivalents:
All other restricted cash and cash equivalents
Noncurrent restricted cash and cash equivalents
Current cash and cash equivalents
Total

\$	112,463
\$	112,463
\$	112,463

2.1 Composition of investments:

Money market funds
Debt and Equity Securities
State of California Local Agency Investment Fund (LAIF)
Total investments
Less endowment investments (enter as negative number)
Total investments, net of endowments

Current	Noncurrent	Total
\$	\$	\$
321,280	-	321,280
-	994,436	994,436
128,265	-	128,265
449,545	994,436	1,443,981
-	-	-
449,545	994,436	1,443,981

2.2 Fair value hierarchy in investments:

Money market funds
Debt and Equity Securities
State of California Local Agency Investment Fund (LAIF)
Total investments

Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Inputs (Level 2)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
\$	\$	\$	\$	\$	\$
321,280	321,280	-	-	-	-
994,436	-	-	-	994,436	-
128,265	-	-	-	-	128,265
1,443,981	321,280	-	-	994,436	1,28,265

3.1 Composition of capital assets:

Non-depreciable/non-amortizable capital assets:
Construction work in progress (CWIP)
Total non-depreciable/non-amortizable capital assets

Depreciable/amortizable capital assets:

Personal property:
Equipment
Breeding Herd
Capitalized Development Costs
Total depreciable/amortizable capital assets
Total capital assets

Balance June 30, 2018	Reclassifications	Prior Period Additions	Prior Period Retirements	Balance June 30, 2018 (Restated)	Additions	Retirements	Transfer of completed CWIP	Balance June 30, 2019
\$	\$	\$	\$	\$	\$	\$	\$	\$
387,673	-	-	-	387,673	23,581	-	-	411,254
387,673	-	-	-	387,673	23,581	-	-	411,254

2,602,458	-	-	-	2,602,458	7,743	-	-	2,610,201
244,372	-	-	-	244,372	34,180	-	-	278,552
784,582	-	-	-	784,582	-	-	293,402	1,077,984
3,631,412	-	-	-	3,631,412	41,525	-	293,402	3,966,339
2,995,085	-	-	-	2,995,085	65,506	-	-	3,060,591

Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)

Personal property:
Equipment
Breeding Herd
Capitalized Development Costs
Total accumulated depreciation/amortization
Total capital assets, net

(2,163,398)	-	-	-	(2,163,398)	(134,589)	-	-	(2,297,987)
(24,498)	-	-	-	(24,498)	-	(25,531)	-	(50,029)
(583,934)	-	-	-	(583,934)	(26,875)	-	-	(610,809)
(2,769,834)	-	-	-	(2,769,834)	(161,464)	(25,531)	-	(2,956,829)
1,219,271	-	-	-	1,219,271	(98,958)	(25,531)	-	1,094,782

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets
Amortization expense related to other assets
Total depreciation and amortization

\$	161,464
\$	161,464

The Agricultural Foundation of California State University, Fresno
Other Information
June 30, 2019
(for inclusion in the California State University)

4 Long-term liabilities:

1. Accrued compensated absences

Balance June 30, 2018	Prior Period Adjustments/Reclass- ifications	Balance June 30, 2018 (Restated)	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
\$ 5,484	\$ -	\$ 5,484	\$ 7,539	\$ (3,074)	\$ 5,999	\$ 1,000	\$ 4,999
\$ 5,484	\$ -	\$ 5,484	\$ 7,539	\$ (3,074)	\$ 5,999	\$ 1,000	\$ 4,999

Total long-term liabilities

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs
Payments to University for other than salaries of University personnel
Accounts payable to University (other than negative amounts)
Accounts receivable from University (other than positive amounts)

642,200
284,359
(131,654)
12,999

9 Natural classifications of operating expenses:

Auxiliary enterprise expenses
Depreciation and amortization

Total operating expenses

Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
\$ 2,542,019	\$ 249,681	\$ -	\$ -	\$ -	\$ 3,503,235	\$ -	\$ 6,294,935
\$ 2,542,019	\$ 249,681	\$ -	\$ -	\$ -	\$ 3,503,235	\$ 161,464	\$ 6,456,299