

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

**2019-20
Annual Report**

**Approved by the Board of Directors
September 18, 2020**

**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, 2020**

BOARD OF DIRECTORS

Mr. William Bourdeau	Coalinga, California
Dr. Joseph I. Castro	Fresno, California
Mr. Joe Del Bosque	Los Banos, California
Mr. Daniel Errotabere	Riverdale, California
Mr. Larry D. Layne	Sanger, California
Mr. Richard Matoian	Fresno, California
Dr. Dennis Nef	Fresno, California
Ms. Dianne Nury	Fresno, California
Mr. Pat V. Ricchiuti	Clovis, 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, Treasurer	Fresno, California
Mr. Lynn D. Hemink	Fresno, California
Mr. William Bourdeau	Coalinga, California

EXECUTIVE STAFF

Ms. Deborah S. Adishian-Astone	Executive Director
Ms. Kate Tuckness	Auxiliary Controller

CORPORATE DATA

Executive Offices	2771 East Shaw Avenue Fresno, California 93710-8205 Telephone (559) 278-0800
Auditors	Price Paige and Company 570 North Magnolia Avenue, Suite 100 Clovis, California 93611 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, 2020 and 2019, 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.

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611

tel 559.299.9540
fax 559.299.2344

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, 2020 and 2019, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Additional Information for California State University, Fresno on pages 21-24 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 10, 2020

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2020

	2019	2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Notes 3 and 4)	\$ 594,401	\$ 934,172
Accounts Receivable (Note 2)	470,736	466,917
Allowance for Doubtful Accounts (Note 2)	(3,500)	(3,500)
Inventories at Cost and Unit Livestock Method (Notes 2 and 6)	693,767	702,612
Investment in Growing Crops (Note 2)	318,379	363,086
Prepaid Expenses (Note 2)	1,764	1,764
Total Current Assets	2,075,547	2,465,051
Noncurrent Assets:		
Restricted:		
Restricted Cash (Note 2 and 3)	112,463	219,703
Total Restricted Assets	112,463	219,703
Other Assets:		
Long-Term Receivables (Note 7)	48,865	49,751
Investments (Note 5 and 8)	994,436	977,902
Total Other Assets	1,043,301	1,027,653
Fixed Assets: (Note 2)		
Breeding Herd	278,552	248,857
Equipment	2,610,203	2,780,340
Capitalized Development Costs	1,077,984	1,150,205
Construction In Progress	87,852	155,978
Total Fixed Assets	4,054,591	4,335,380
Less: Accumulated Depreciation	(2,956,809)	(3,110,583)
Total Fixed Assets, Net	1,097,782	1,224,797
Total Noncurrent Assets	2,253,546	2,472,153
Total Assets	\$ 4,329,093	\$ 4,937,204

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, 2019 AND 2020

	<u>2019</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts Payable and Other Accrued Expenses	\$ 500,131	\$ 511,981
Deferred Revenue (Note 2)	<u>22,859</u>	<u>19,225</u>
Total Current Liabilities	<u>522,990</u>	<u>531,206</u>
Net Assets:		
Without Donor Restrictions (Note 9)	3,693,640	4,186,295
With Donor Restrictions (Note 9)	<u>112,463</u>	<u>219,703</u>
Total Net Assets	<u>3,806,103</u>	<u>4,405,998</u>
Total Liabilities and Net Assets	<u><u>\$ 4,329,093</u></u>	<u><u>\$ 4,937,204</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues and Other Support:			
Gross Sales	\$ 4,600,696	\$ 1,026	\$ 4,601,722
Agricultural Operations Support/(Deficit)	521,531	23,974	545,505
Contributions	749,989	314,000	1,063,989
SBA PPP Revenue	75,800	0	75,800
Federal Subsidies	112,053	0	112,053
Interest Income	52,800	0	52,800
Net Assets Released from Restrictions	231,760	(231,760)	0
Total Revenues and Other Support	6,344,629	107,240	6,451,869
Expenses:			
Cost of Sales	1,082,610	0	1,082,610
Salaries/Wages (Note 13)	2,470,268	0	2,470,268
Employee Benefits (Note 13)	262,852	0	262,852
Advertising	13,205	0	13,205
Audit Fees	18,855	0	18,855
Awards/Premiums	33,901	0	33,901
Bad Debt	1,813	0	1,813
Capitalized Development Costs-Depreciation	53,607	0	53,607
Custom Harvesting	86,444	0	86,444
Depreciation	114,589	0	114,589
Donations	852	0	852
Equipment Rental/Repair	414,822	0	414,822
Insurance	59,218	0	59,218
Legal Fees	612	0	612
Licenses/Dues/Fees	68,850	0	68,850
Livestock Expense	157,880	0	157,880
Management Services Fee	169,563	0	169,563
Miscellaneous	51,443	0	51,443
Office Supplies/Duplicating	8,832	0	8,832
Postage/Freight	12,309	0	12,309
Supplies	641,937	0	641,937
Travel	3,152	0	3,152
Utilities	107,826	0	107,826
Total Expenses	5,835,440	0	5,835,440
Change in Net Assets from Operations	509,189	107,240	616,429
Nonoperating Activities			
Investment Return, Net	(16,534)	0	(16,534)
Total Nonoperating Activities	(16,534)	0	(16,534)
Change in Net Assets	492,655	107,240	599,895
Net Assets, Beginning of Year	3,693,640	112,463	3,806,103
Net Assets, End of Year	\$ 4,186,295	\$ 219,703	\$ 4,405,998

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

	Restated Without Donor Restrictions	Restated With Donor Restrictions	Restated Total
Operating Activities			
Revenues and Other Support:			
Gross Sales	\$ 4,539,744	\$ 1,947	\$ 4,541,691
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	5,356,485	16,682	5,373,167
Expenses:			
Cost of Sales	1,018,467	0	1,018,467
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	6,024,799	0	6,024,799
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 CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2020

	<u>2019</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ (618,883)	\$ 599,895
Adjustments to Reconcile Increase (Decrease) in Net Assets to		
Net Cash Provided (Used) By Operating Activities:		
Depreciation	161,464	168,196
Unrealized (Gain) Loss on Investments	(32,749)	16,534
Donation Expense (Income) of Fixed Assets	(7,746)	(146,270)
Changes In:		
Accounts Receivable	(36,074)	3,819
Inventories	(55,593)	(8,845)
Investment in Growing Crops	28,211	(44,707)
Prepaid Expenses	1,046	0
Accounts Payable and Accrued Expenses	29,061	11,850
Deferred Revenue	3,734	(3,634)
	<u>(527,529)</u>	<u>596,838</u>
Net Cash Provided (Used) in Operating Activities		
Cash Flows from Investing Activities		
(Increase) Decrease in Long-Term Receivables	2,395	(886)
Net Change in Breeding Herd	(8,649)	30,905
Acquisition of Equipment and Capitalized Development Costs	(23,581)	(179,846)
	<u>(29,835)</u>	<u>(149,827)</u>
Net Cash Provided (Used) in Investing Activities		
Net Increase (Decrease) in Cash	(557,364)	447,011
Cash and Cash Equivalents at Beginning of Year	<u>1,264,228</u>	<u>706,864</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 706,864</u></u>	<u><u>\$ 1,153,875</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Taxes	<u><u>\$ -</u></u>	<u><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, 2019 and 2020

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, 2019, approximately 13% and 12% of the Agricultural Foundation's revenue was from sales by the Mature Orchard and Gibson Farm Market, respectively. For the year ended June 30, 2020, approximately 15% and 13% of The Agricultural Foundation's revenue was from sales by the Mature Orchard and Dairy, 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, 2019 and 2020, The Agricultural Foundation's uninsured cash balances at Citibank totaled \$471,531 and \$529,851, 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, 2019 and 2020 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 \$161,464 and \$168,196 in 2019 and 2020, 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 \$112,463 and \$219,703 in 2019 and 2020, 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 \$454,822 and \$473,830 in 2019 and 2020, 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 \$14,209 and \$13,205 in 2019 and 2020, 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.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Restatement – Certain prior year amounts have been restated to eliminate intra company revenues and expenses. For the year ended June 30, 2019, Gross Sales without Donor Restriction and Cost of Goods Sold without Donor Restriction have each been reduced by \$431,500. This change had no effect on total net assets at June 30, 2019 or 2020, or on total change in net assets for the years then ended.

Note 3 – Availability and Liquidity

The following represents The Agricultural Foundation's financial assets at June 30:

Financial assets at year end:	2019	2020
Cash and cash equivalents	\$ 706,864	\$ 1,153,875
Accounts receivable, net	467,236	463,417
Investments	994,436	977,902
Total financial assets	2,168,536	2,595,194
Less amounts not available to be used within one year:		
Net assets with donor restrictions	112,463	219,703
Less net assets with purpose restrictions		
VERC board designation	64,167	0
Quasi endowment established by the board	994,436	977,902
	1,171,066	1,197,605
Financial assets available to meet general expenditures over the next twelve months	\$ 997,470	\$ 1,397,589

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 for the year ended June 30, 2019 required 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 was \$2,953,616 at June 30, 2020. Based on the available cash balances above, the Agricultural Foundation did not meet its minimum reserve requirements at June 30, 2019.

On August 30, 2019, the Board of Directors approved 1) the elimination of the above purpose restriction (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. Of the minimum amount, \$250,000 in cash shall not be invaded for any purpose except in the case of extreme financial hardship with the authorization of both the University President and Chair of the Board of Directors. Fifteen percent of the budgeted operating expenses, net of depreciation are \$837,996 at June 30, 2020. Based on the available cash balances above, the Agricultural Foundation is meeting its minimum reserve requirements at June 30, 2020.

Note 4 – Cash and Cash Equivalents

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

	2019	2020
Deposits:		
Cash in Bank	\$ 254,219	\$ 298,081
Money Market	321,280	569,304
Pooled Funds:		
Cash in State of California Local Agency Investment Fund	128,265	283,390
Change Funds	3,100	3,100
Total	<u>\$ 706,864</u>	<u>\$ 1,153,875</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.

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

Note 5 – Fair Value Measurements (continued)

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

	Fair Value	Level 1	Level 2	Level 3
<u>2019</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>
<u>2020</u>				
Cash and Cash Equivalents	\$ 1,153,875	\$ 1,153,875	\$ 0	\$ 0
Investment	977,902	0	0	977,902
Totals	<u>\$ 2,131,777</u>	<u>\$ 1,153,875</u>	<u>\$ 0</u>	<u>\$ 977,902</u>

Note 6 – Inventories

Inventories consist of the following at June 30:

	2019	2020
Winery	\$ 198,498	\$ 264,328
Dairy	363,775	324,713
Beef	83,643	66,918
Others	47,851	46,653
Total	<u>\$ 693,767</u>	<u>\$ 702,612</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 at June 30:

	2019	2020
California Dairies Inc.	<u>\$ 48,865</u>	<u>\$ 49,751</u>

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Note 8 – Investments

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

<u>2019</u>	<u>Original Investment</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Fresno State Foundation Endowment Pool	\$ 737,645	\$ 994,436	\$ 256,791
Totals	<u>\$ 737,645</u>	<u>\$ 994,436</u>	<u>\$ 256,791</u>
 <u>2020</u>	 <u>Original Investment</u>	 <u>Market Value</u>	 <u>Unrealized Gain/(Loss)</u>
Fresno State Foundation Endowment Pool	\$ 737,645	\$ 977,902	\$ 240,257
Totals	<u>\$ 737,645</u>	<u>\$ 977,902</u>	<u>\$ 240,257</u>

Note 9 – Net Assets

Net assets without donor restrictions were as follows for the years ended June 30:

	<u>2019</u>	<u>2020</u>
Undesignated	\$ 2,635,037	\$ 3,208,393
Designated, Fresno State Foundation Endowment Pool	994,436	977,902
Designated, VERC Reserve	64,167	0
Totals	<u>\$ 3,693,640</u>	<u>\$ 4,186,295</u>

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 2020, 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.

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

	<u>2019</u>	<u>2020</u>
Board-designated endowment net assets, July 1	\$ 961,687	\$ 994,436
Net appreciation (depreciation)	69,680	23,861
Amount reinvested	0	0
Amounts appropriated for expenditures	<u>(36,931)</u>	<u>(40,395)</u>
Board –designated endowment net assets, June 30	<u>\$ 994,436</u>	<u>\$ 977,902</u>

Note 9 – Net Assets (Continued)

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. On August 30, 2019, the Board of Directors approved the elimination of the VERC Reserve as part of its liquidity plan (see Note 3). The balance was \$64,167 at June 30, 2019, and \$0 at June 30, 2020 when it was eliminated.

Net assets with donor restrictions were as follows for the years ended June 30:

	2019	2020
Poultry Reserve	\$ 112,463	\$ 125,682
Capital Repairs and Replacement Reserve	0	94,021
Totals	<u>\$ 112,463</u>	<u>\$ 219,703</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.

Capital Repairs and Replacement Reserve – In October 2019, a donation of \$250,000 was received from the Fresno State Foundation to provide for capital repair and replacement on the Farm.

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, 2019 and 2020:

Administrative fees paid to the Association for management services were \$164,624 and \$169,563 for the years ended June 30, 2019 and 2020, respectively based on a flat fee arrangement. The amounts due The Agricultural Foundation from the Association at June 30, 2019 and 2020, were \$393 and \$0, respectively. The amounts due the Association from The Agricultural Foundation at June 30, 2019 and 2020, were \$0 for both years then ended.

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, 2019 and \$545,505 for year ended June 30, 2020. These payments were used to reduce farm operation expenses.

The amounts due from The Agricultural Foundation to the University at June 30, 2019 and 2020, were \$131,654 and \$123,469, respectively. The amounts due from the University to The Agricultural Foundation at June 30, 2019 and 2020, were \$12,999 and \$8,604, respectively.

The amounts due The Agricultural Foundation from California State University, Fresno Foundation at June 30, 2019 and 2020, were \$37,285 and \$61,947, respectively.

The amounts due The Agricultural Foundation from Fresno State Programs for Children, Inc. at June 30, 2019 and 2020, were \$20 and \$0, respectively.

The amounts due The Agricultural Foundation from Fresno State Athletics at June 30, 2019 and 2020, were \$2,500 and \$1,250, respectively.

Note 11 – Leases

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

- 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, 2025.
- Land for grazing purposes, sublease with Running T Ranch, expiring June 30, 2022.

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:

	2019 Restated			2020		
	Program	General/ Admin	Total	Program	General/ Admin	Total
Cost of Sales	\$ 1,018,467	\$ 0	\$ 1,018,467	\$ 1,082,610	\$ 0	\$ 1,082,610
Salaries/Wages	2,542,929	0	2,542,929	2,470,268	0	2,470,268
Employee Benefits	249,681	0	249,681	262,852	0	262,852
Advertising/Publicity	14,209	0	14,209	13,205	0	13,205
Audit Fees	0	21,995	21,995	0	18,855	18,855
Awards/Premiums	34,602	0	34,602	33,901	0	33,901
Bad Debts	13,593	0	13,593	1,813	0	1,813
Capitalized Development						
Costs/Depreciation	26,875	0	26,875	53,607	0	53,607
Custom Harvesting	107,675	0	107,675	86,444	0	86,444
Depreciation	134,589	0	134,589	114,589	0	114,589
Donations	582	0	582	852	0	852
Equip Rental/Repair	423,175	0	423,175	414,822	0	414,822
Insurance	28,536	25,896	54,432	32,100	27,118	59,218
Legal Fees	0	0	0	0	612	612
Licenses/Dues/Fees	70,121	3,333	73,454	64,936	3,914	68,850
Livestock Expense	178,510	0	178,510	157,880	0	157,880
Management Service Fee	0	164,624	164,624	0	169,563	169,563
Miscellaneous	50,839	1,019	51,858	50,306	1,137	51,443
Office Supplies	3,354	5,127	8,481	4,072	4,760	8,832
Postage/Freight	8,232	0	8,232	12,309	0	12,309
Rent	5,281	0	5,281	0	0	0
Supplies	760,924	0	760,924	641,937	0	641,937
Travel	4,972	0	4,972	3,152	0	3,152
Utilities	125,659	0	125,659	107,826	0	107,826
Totals	\$ 5,802,805	\$ 221,994	\$ 6,024,799	\$ 5,609,481	\$ 225,959	\$ 5,835,440

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.

Note 12 – Expenses by Natural/Functional Classification (continued)

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 – Salaries/Wages and Employee Benefits

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

	2019	2020
Salaries/Wages	\$ 341,890	\$ 282,265
Salaries Reimbursed to the University	896,842	874,372
Salaries Donated by the University	297,853	313,559
Contract Labor – Outside	1,006,344	1,000,072
Total Salaries/Wages	<u>\$ 2,542,929</u>	<u>\$ 2,470,268</u>

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

	2019	2020
Employee Benefits	\$ 92,712	\$ 102,581
Employee Benefits Donated by the University	156,969	160,271
Total Employee Benefits	<u>\$ 249,681</u>	<u>\$ 262,852</u>

Note 14 – Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 outbreak in the United States of America a national emergency. Further, on March 19, 2020, the governor of the State of California issued a statewide Stay at Home Order to slow the spread of COVID-19. The Order required all individuals living in California to stay at home, except as needed to maintain continuity of the federal critical infrastructure sectors. As such, some functions of The Agricultural Foundation's operations will be limited to protect the health and safety of its employees.

The effects of COVID-19 may have a negative impact on the revenue generating activities of The Agricultural Foundation. The Agricultural Foundation's investment activities may also sustain declines due to a volatile market. The ultimate financial impact on the Agricultural Foundation that could occur as a result of the pandemic is unknown at this time.

The Agricultural Foundation has evaluated subsequent events through September 10, 2020, which is the date the financial statements were available to be issued. The Agricultural Foundation is not aware of any other material subsequent events requiring disclosure in the financial statements for the year ended June 30, 2020.

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, 2020
(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$ 81,478
Short-term investments	852,694
Accounts receivable, net	463,417
Prepaid expenses and other current assets	<u>1,067,462</u>
Total current assets	<u>2,465,051</u>

Noncurrent assets:

Restricted cash and cash equivalents	219,703
Accounts receivable, net	49,751
Endowment investments	977,902
Capital assets, net	<u>1,224,797</u>
Total noncurrent assets	<u>2,472,153</u>

Total assets	<u><u>4,937,204</u></u>
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Liabilities:

Current liabilities:

Accounts payable	501,239
Accrued salaries and benefits	3,107
Accrued compensated absences, current portion	1,000
Unearned revenues	<u>19,225</u>
Total current liabilities	<u>524,571</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion	<u>6,635</u>
Total noncurrent liabilities	<u>6,635</u>
Total liabilities	<u><u>531,206</u></u>

Net position:

Net investment in capital assets	1,224,797
Restricted for:	
Capital projects	94,021
Others	125,682
Unrestricted	<u>2,961,498</u>
Total net position	<u><u>\$ 4,405,998</u></u>

See accompanying Independent Auditor's Report

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020
(for inclusion in the California State University)

Revenues:

Operating revenues:	
Sales and services of auxiliary enterprises, gross	\$ 4,601,722
Other operating revenues	<u>733,358</u>
Total operating revenues	<u>5,335,080</u>

Expenses:

Operating expenses:	
Auxiliary enterprise expenses	5,667,244
Depreciation and amortization	<u>168,196</u>
Total operating expenses	<u>5,835,440</u>
Operating income (loss)	<u>(500,360)</u>

Nonoperating revenues (expenses):

Gifts, noncapital	1,063,989
Investment income (loss), net	52,800
Endowment income (loss), net	<u>(16,534)</u>
Net nonoperating revenues (expenses)	<u>1,100,255</u>
Income (loss) before other revenues (expenses)	<u>599,895</u>

Increase (decrease) in net position	599,895
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Net position:

Net position at beginning of year, as previously reported	<u>3,806,103</u>
Net position at end of year	<u><u>\$ 4,405,998</u></u>

See accompanying Independent Auditor's Report

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
OTHER INFORMATION
JUNE 30, 2020
(for inclusion in the California State University)

1 Cash and cash equivalents:

All other restricted cash and cash equivalents	\$ 219,703
Noncurrent restricted cash and cash equivalents	<u>219,703</u>
Current cash and cash equivalents	81,478
Total	<u>\$ 301,181</u>

2.1 Composition of investments:

Investment Type	Current	Noncurrent	Fair Value
Money market funds	\$ 569,304	-	569,304
Equity securities	-	977,902	977,902
State of California Local Agency Investment Fund (LAIF)	283,390	-	283,390
Total investments	<u>852,694</u>	<u>977,902</u>	<u>1,830,596</u>
Less endowment investments (enter as negative number)		(977,902)	(977,902)
Total investments, net of endowments	<u>\$ 852,694</u>	<u>-</u>	<u>852,694</u>

2.2 Fair value hierarchy in investments:

Investment Type	Fair Value	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)
Money market funds	\$ 569,304	569,304	-	-	-
Equity securities	977,902	-	-	977,902	-
State of California Local Agency Investment Fund (LAIF)	283,390				283,390
Total investments	<u>\$ 1,830,596</u>	<u>569,304</u>	<u>-</u>	<u>977,902</u>	<u>283,390</u>

2.3 Investments held by the University under contractual agreements: Nothing to report

3.1 Composition of capital assets:

	June 30, 2019	Reclassifications	Additions	Retirements	June 30, 2019	Additions	Retirements	completed	June 30, 2020
Non-depreciable/Non-amortizable capital assets:									
Construction work in progress (CWIP)	\$ 87,852	-	-	-	87,852	217,845	-	(149,719)	155,978
Total non-depreciable/non-amortizable capital assets	<u>87,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,852</u>	<u>217,845</u>	<u>-</u>	<u>(149,719)</u>	<u>155,978</u>
Depreciable/Amortizable capital assets:									
Personal property:									
Equipment	2,610,203	-	-	-	2,610,203	108,270	-	61,867	2,780,340
Breeding Herd	278,552	-	-	-	278,552	-	(29,695)	-	248,857
Capitalized Development Costs	1,077,984	-	-	-	1,077,984	-	(15,631)	87,852	1,150,205
Total depreciable/amortizable capital assets	<u>3,966,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,966,739</u>	<u>108,270</u>	<u>(45,326)</u>	<u>149,719</u>	<u>4,179,402</u>
Total capital assets	<u>4,054,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,054,591</u>	<u>326,115</u>	<u>(45,326)</u>	<u>-</u>	<u>4,335,380</u>
Less accumulated depreciation/amortization: (enter as negative number, except for reductions enter as positive number)									
Personal property:									
Equipment	(2,297,979)	-	-	-	(2,297,979)	(114,589)	-		(2,412,568)
Breeding Herd	(50,021)	-	-	-	(50,021)	-	(1,209)		(51,230)
Capitalized Development Costs	(608,809)	-	-	-	(608,809)	(53,607)	15,631		(646,785)
Total accumulated depreciation/amortization	<u>(2,956,809)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,956,809)</u>	<u>(168,196)</u>	<u>14,422</u>	<u>-</u>	<u>(3,110,583)</u>
Total capital assets, net	<u>\$ 1,097,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,097,782</u>	<u>157,919</u>	<u>(30,904)</u>	<u>-</u>	<u>1,224,797</u>

3.2 Detail of depreciation and amortization expense:

Depreciation and amortization expense related to capital assets	\$ 168,196
Amortization expense related to other assets	<u> </u>
Total depreciation and amortization	<u>\$ 168,196</u>

See accompanying Independent Auditor's Report

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
OTHER INFORMATION
JUNE 30, 2020
(for inclusion in the California State University)

4 Long-term liabilities:

	Balance June 30, 2019	Prior Period Adjustments/ Reclassifications	Balance June 30, 2019 (Restated)	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
1. Accrued compensated absences	\$ 5,999	-	5,999	8,520	(6,884)	7,635	1,000	6,635
Total long-term liabilities	\$ 5,999	-	5,999	8,520	(6,884)	7,635	1,000	6,635

5 Capital lease obligations schedule: Nothing to report

6 Long-term debt obligations schedule: Nothing to report

7 Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	233,012
Payments to University for other than salaries of University personnel	10,073
Accounts (payable to) University (enter as negative number)	(123,469)
Accounts receivable from University (enter as positive number)	8,604

8 Restatements: Nothing to report

Provide a detailed breakdown of the journal entries (at the financial statement line items level) booked to record each restatement:

Restatement #1	Debit/(Credit)
Elimination of 2018-19 intra company revenue and expenses	
Unrestricted	431,500
Unrestricted	(431,500)
	-

9 Natural classifications of operating expenses:

	Salaries	Benefits - Other	Benefits - Pension	Benefits - OPEB	Scholarships and fellowships	Supplies and other services	Depreciation and amortization	Total operating expenses
Auxiliary enterprise expenses	\$ 2,470,268	262,852	-	-	-	2,934,124	-	5,667,244
Depreciation and amortization	-	-	-	-	-	-	168,196	168,196
Total operating expenses	\$ 2,470,268	262,852	-	-	-	2,934,124	168,196	5,835,440

10 Deferred outflows/inflows of resources: Nothing to report