

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

2013-14 Annual Report

**Approved by the Board of Directors
September 19, 2014**

**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, 2014**

BOARD OF DIRECTORS

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

CORPORATE OFFICERS

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

AUDIT COMMITTEE

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

EXECUTIVE STAFF

Ms. Deborah S. Adishian-Astone	Executive Director
Ms. Kate Tuckness	Auxiliary Controller
Mr. John Melikian	Staff Counsel

CORPORATE DATA

Executive Offices	2771 East Shaw Avenue Fresno, California 93710-8205 Telephone (559) 278-0800
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Auditors	Price Paige and Company 677 Scott Avenue Clovis, California 93612 Telephone (559) 299-9540
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The Place to Be

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 (Ag Foundation), a nonprofit organization, which comprise the statements of financial position as of June 30, 2013 and 2014, 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 Ag 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 Ag 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.

677 Scott Avenue
Clovis, CA 93612

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, 2013 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information reflected on pages 18-21 is presented, as required by the Chancellor of the California State University, for purposes of additional analysis and is not a required part of the financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements and has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Price Pange & Company

Clovis, California
September 8, 2014

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2014

	2013	2014
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Notes 1 and 2)	\$ 1,656,418	\$ 1,876,311
Accounts Receivable	309,447	477,256
Allowance for Doubtful Accounts	(3,500)	(3,500)
Prepaid Expenses	1,727	2,414
Inventories at Cost and Unit Livestock Method (Notes 1 and 3)	752,158	804,530
Total Current Assets	2,716,250	3,157,011
Noncurrent Assets:		
Restricted:		
Temporarily Restricted Cash (Note 2)	37,438	25,515
Total Restricted Assets	37,438	25,515
Other Assets:		
Long-Term Receivables (Note 4)	31,143	37,535
Investments (Note 5)	738,942	831,336
Total Other Assets	770,085	868,871
Fixed Assets: (Note 1)		
Breeding Herd	173,403	210,196
Equipment	2,293,516	2,371,523
Capitalized Development Costs	631,464	852,595
Construction In Progress	25,001	397,825
Total Fixed Assets	3,123,384	3,832,139
Less: Accumulated Depreciation	(1,978,461)	(2,169,257)
Total Fixed Assets, Net	1,144,923	1,662,882
Total Noncurrent Assets	1,952,446	2,557,268
Total Assets	\$ 4,668,696	\$ 5,714,279

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, 2013 AND 2014

	2013	2014
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 252,269	\$ 706,734
Agency Funds	5,259	0
Total Current Liabilities	257,528	706,734
Net Assets:		
Unrestricted:		
Undesignated	3,455,756	3,881,125
Designated:		
Agricultural Foundation Endowment Fund (Note 6)	738,942	831,336
Incentive Funds	29,032	7,694
Contingency Reserve	150,000	150,000
VERC Reserve (Note 10)	0	111,875
Total Designated Net Assets	917,974	1,100,905
Total Unrestricted Net Assets	4,373,730	4,982,030
Restricted:		
Temporarily Restricted Net Assets (Note 11)	37,438	25,515
Total Restricted Net Assets	37,438	25,515
Total Net Assets	4,411,168	5,007,545
Total Liabilities and Net Assets	\$ 4,668,696	\$ 5,714,279

The accompanying notes are an integral part of the financial statements

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014

	2013	2014
Changes in Unrestricted Net Assets:		
Revenues:		
Gross Sales	\$ 5,242,027	\$ 5,794,950
Agricultural Operations Support/(Deficit)	229,209	500,380
Donated Income	213,585	841,616
Gain on Sale of Assets	0	182
Interest Income	27,703	37,000
Unrealized Gain(Loss) on Investments	44,806	60,371
	<u>5,757,330</u>	<u>7,234,499</u>
Expenses and Losses:		
Cost of Sales	1,506,322	1,640,287
Salaries/Wages	1,408,787	2,085,864
Employee Benefits	74,001	222,026
Advertising	10,879	20,026
Audit Fees	18,145	18,170
Awards/Premiums	29,899	29,398
Bad Debt	319	577
Capitalized Development Costs-Depreciation	25,870	17,918
Custom Harvesting	91,622	70,360
Depreciation	169,419	172,624
Donations	37,779	490,247
Equipment Rental/Repair	446,302	488,137
Incentive Fee Transfers	4,083	12,256
Infrastructure Improvements	13,543	7,517
Insurance	54,070	57,338
Licenses/Dues/Fees	58,748	55,895
Livestock Expense	96,871	127,082
Management Services Fee	128,500	149,000
Miscellaneous	65,086	68,328
Office Supplies/Duplicating	3,340	9,972
Postage/Freight	5,154	9,182
Supplies	740,375	746,693
Travel	4,153	3,674
Utilities	87,922	123,627
Unrelated Business Income Tax	5,307	0
	<u>5,086,496</u>	<u>6,626,198</u>
Total Expenses and Losses		
	<u>5,086,496</u>	<u>6,626,198</u>
Increase(Decrease) in Unrestricted Net Assets	<u>670,834</u>	<u>608,301</u>

The accompanying notes are an integral part of the financial statements

**THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014**

	2013	2014
Changes in Temporarily Restricted Net Assets:		
Revenues:		
Donation Income	60,000	60,000
Release from Restrictions:		
Transfer to Poultry	(35,296)	(71,924)
Increase/(Decrease) in Net Temporarily Restricted Net Assets	24,704	(11,924)
Increase/(Decrease) in Net Assets	695,538	596,377
Total Net Assets Beginning	3,715,630	4,411,168
Total Net Assets Ending	\$ 4,411,168	\$ 5,007,545

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, 2013 AND 2014

	2013	2014
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 695,538	\$ 596,377
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) By Operating Activities:		
Depreciation	195,289	190,542
Unrealized (Gain) Loss on Investments	(66,242)	(92,394)
Donation of Fixed Assets	0	(277,261)
Gain on Sale of Assets	0	(182)
Changes In:		
Accounts Receivable	(100,158)	(167,809)
Prepaid Expenses	636	(687)
Inventories	(46,766)	(52,373)
Accounts Payable	(278,090)	454,466
Agency Funds	0	(5,259)
Net Cash Provided by Operating Activities	400,207	645,420
Cash Flows from Investing Activities		
(Increase) Decrease in Long-Term Receivables	1,220	(6,391)
Net Change in Breeding Herd	6,658	(29,928)
Acquisition of Equipment and Capitalized Development Costs	(223,827)	(401,131)
Net Cash Used by Investing Activities	(215,949)	(437,450)
Net Increase(Decrease) in Cash	184,258	207,970
Cash and Cash Equivalents at Beginning of Year	1,509,598	1,693,856
Cash and Cash Equivalents at End of Year	\$ 1,693,856	\$ 1,901,826
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Taxes	\$ 5,307	\$ -

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, 2013 and 2014

Note 1 - Summary of Significant Accounting Policies

The Agricultural Foundation of California State University, Fresno (The Agricultural Foundation) was incorporated on December 3, 1954 as a non-profit corporation. The Agricultural Foundation was formed and is operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of California State University, Fresno (the "University"). The Agricultural Foundation is supported primarily by sales of products from the various operating units. For the year ended June 30, 2014, approximately 17% and 12% of the organization's support was from sales by the Mature Orchard and Dairy, respectively.

The Agricultural Foundation maintains its accounting records and prepares its financial statements on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when goods or services are received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts and money market funds with financial institutions. The Agricultural Foundation considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. At June 30, 2014, the FDIC insures cash balances held in interest and noninterest-bearing accounts combined up to \$250,000. At June 30, 2013 and 2014, the Agricultural Foundation's uninsured cash balances at Citibank totaled \$1,574,997 and \$1,454,051, respectively.

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Net Assets

Undesignated Net Assets: This category is maintained to account for those transactions related to all activities not covered in a specific fund and which relate in general to the full scope of operations of the auxiliary organization, including accounting for the revenue and expenses of various agricultural units. These funds are appropriated in accordance with the policies established by the Trustees of The California State University (Trustees), the campus, and the auxiliary organization.

Designated Net Assets: When appropriations are made by the Board of Directors (the "Board") for a specific purpose, they are classified as designated net assets.

Temporarily Restricted Net Assets: This category represents net assets whose use has been limited by donors to later periods of time or after specified dates or to specified purposes.

Note 1 – Summary of Significant Accounting Policies, continued

Permanent Net Assets: This category represents net assets required by the donor to be maintained permanently and invested in perpetuity. There are currently no permanent net assets.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Allowance for doubtful accounts at June 30, 2013 and 2014 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 2006. Inventory values are equivalent to average cost to raise to maturity. Purchased animals held for sale are valued at cost. Cost of supply inventories are determined using the first-in, first-out method (FIFO).

Donated Services

The Agricultural Foundation receives various donated services. The estimated fair values of donations in excess of \$1,000 are recorded as support and expense in the period received. During fiscal year 2014, the Agricultural Foundation implemented Accounting Standards Update (ASU) 2013-06 which requires not-for-profit entities to record the fair value of regularly performed contributed services. California State University, Fresno contributed \$441,397 in salaries in benefits in support of the University Farm.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in Note 12 – Expenses by Natural Classification. Accordingly, certain costs have been allocated among programs and supporting services.

Fixed Assets

Fixed assets represent milking livestock, breeding herds, and equipment. Raised and donated milking livestock and breeding herds are carried at maximum raised value established by the Board. Purchased milking livestock and breeding herds are carried at cost less accumulated depreciation. Depreciation of livestock and herds is computed using straight line rates established by the Board, and the costs are depreciated down to the maximum raised value. The Agricultural Foundation capitalizes all expenditures for equipment in excess of \$5,000. Equipment is carried at cost less accumulated depreciation. Depreciation of equipment is computed using straight line rates based upon estimated useful lives. Equipment includes the value of Construction in Progress which is not depreciated until the project is completed.

Capitalized development costs represent costs incurred for producing vineyards and orchards. The costs are depreciated over 10 years as the vineyards and orchards commence production.

Depreciation expense amounted to \$195,289 and \$190,542 in 2013 and 2014, respectively.

Gross Sales

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

Note 1 – Summary of Significant Accounting Policies, continued

Investments

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

Tax Status

The Agricultural Foundation is organized and operated exclusively for educational purposes and is thus allowed tax exempt status under provisions of section 501(c)(3) of the Internal Revenue Code and section 21701(d) of the California Revenue and Taxation Code. However, income for certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$10,879 and \$20,026 in 2013 and 2014, respectively.

Note 2 – Cash and Cash Equivalents

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

	<u>2013</u>	<u>2014</u>
Deposits:		
Cash in Banks	\$1,585,301	\$1,792,813
Pooled Funds:		
Cash in State of California Local Agency Investment Fund (LAIF)	104,655	104,913
Cash on Hand	<u>3,900</u>	<u>4,100</u>
Total	<u>\$1,693,856</u>	<u>\$1,901,826</u>

The Agricultural Foundation maintains some of its cash in The State of California Local Agency Investment Fund. The State pools these funds with those of other organizations and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is remitted quarterly to the Agricultural Foundation. Any investment losses are proportionately shared by all funds in the pool.

Of the total cash amount of \$1,693,856 and \$1,901,826 in 2013 and 2014, temporarily restricted cash was \$37,438 and \$25,515 in 2013 and 2014, respectively. Temporarily restricted cash represents amounts held to comply with donor-imposed restrictions in the Poultry unit and is not for available for general use. There is no requirement that cash be held in separate accounts.

Note 3 – Inventories

Inventories at June 30, 2013 and 2014 consist of the following:

	<u>2013</u>	<u>2014</u>
Winery	\$326,383	\$364,838
Dairy	193,550	283,694
Beef	107,870	86,319
Others	<u>124,355</u>	<u>69,679</u>
Total	<u>\$752,158</u>	<u>\$804,530</u>

Note 4 - Long-Term Receivables

The Agricultural Foundation is a member of a milk cooperative known as the California Dairies Inc. Members of the cooperative must maintain a permanent capital fund to provide the necessary capital to finance the California Dairies' operation and growth. This equity account is refundable in five annual payments upon the Agricultural Foundation's withdrawal from the cooperative.

Long-Term Receivables are composed of the following:

	<u>2013</u>	<u>2014</u>
California Dairies Inc.	<u>\$31,143</u>	<u>\$37,535</u>

Note 5 - Investments

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

<u>2013</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Unrealized Appreciation/(Depreciation)</u>
Fresno State Foundation Endowment Pool	<u>\$737,645</u>	<u>\$738,942</u>	<u>\$1,297</u>

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

Note 6 - Endowment

The Board designated the Agricultural Foundation Endowment Fund to support the mission of the Agricultural Foundation. Since the fund resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Endowment assets are invested with the California State University, Fresno Foundation (the "Foundation") in their endowment Pool A, a well diversified fund that is intended to result in a consistent inflation-protected rate of return. Each year, the Foundation either approves an appropriation for distribution from its endowments or a reinvestment in the pool. For fiscal year 2014, the Board authorized a reinvestment in Pool A.

The distribution or reinvestment is measured as a percentage of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Agricultural Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Agricultural Foundation expects the current spending policy to allow its general endowment fund to grow consistent with its return objectives and risk parameters. The Agricultural Foundation expects its endowment assets, over time, to exceed the rate of inflation by approximately 4%. Actual returns in any given year may vary from this amount.

Composition of and changes in endowment net assets for the years ending June 30, 2013 and 2014, were as follows:

	<u>2013</u>	<u>2014</u>
Board-designated endowment net assets, July 1	\$ 672,700	\$738,942
Net appreciation (depreciation)	44,806	60,371
Amounts reinvested	21,436	32,023
Amounts appropriated for expenditure	<u>0</u>	<u>0</u>
Board-designated endowment net assets, June 30	<u>\$738,942</u>	<u>\$831,336</u>

Note 7 – Fair Value Measurements

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest propriety to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant observable input (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

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

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

	Fair Value	Level 1	Level 3
<u>2013</u>			
Investment, Fresno State			
Foundation Endowment Pool	\$ 738,942	\$ 0	\$ 738,942
Cash and Cash Equivalents	<u>1,693,856</u>	<u>1,693,856</u>	<u>0</u>
Totals	<u>\$ 2,432,798</u>	<u>\$ 1,693,856</u>	<u>\$ 738,942</u>
<u>2014</u>			
Investment, Fresno State			
Foundation Endowment Pool	\$ 831,336	\$ 0	\$ 831,336
Cash and Cash Equivalents	<u>1,901,826</u>	<u>1,901,826</u>	<u>0</u>
Totals	<u>\$ 2,733,162</u>	<u>\$ 1,901,826</u>	<u>\$ 831,336</u>

Note 8 – Related Parties

The Agricultural Foundation receives management services from the California State University, Fresno Association, Inc. (the "Association"). The Agricultural Foundation had the following transactions with the following entities during the years ended June 30, 2013 and 2014:

Administrative fees paid to the Association for management services were \$128,500 and \$149,000 for the years ended June 30, 2013 and 2014, respectively, based on a flat fee arrangement. The amounts due the Agricultural Foundation from the Association at June 30, 2013 and 2014, were \$315 and \$2,489, respectively. The amounts due the Association from the Agricultural Foundation at June 30, 2013 and 2014, were \$750 and \$915, respectively.

Note 8 – Related Parties, continued

The amounts due to the California State University, Fresno Foundation by the Agricultural Foundation for expenses at June 30, 2013 and 2014, were \$261 and \$1,484, respectively. The amounts due to the Agricultural Foundation by the California State University, Fresno Foundation at June 30, 2013 and 2014, were \$0 and \$0, respectively.

The Agricultural Foundation operates the University Farm, which serves as an instructional laboratory. As such, the University is required to pay for certain operational expenses during the fiscal year. The amounts paid by the University were \$239,209 and \$500,380, for the years ended June 30, 2013 and 2014, respectively. These payments were used to reduce farm operation expenses. The amounts due from the Agricultural Foundation to the University at June 30, 2013 and 2014, were \$115 and \$12,563, respectively. The amounts due from the University to the Agricultural Foundation at June 30, 2013 and 2014, were \$6,358 and \$11,121, respectively.

The amounts due from Fresno State Programs For Children at June 30, 2013 and 2014, were \$397 and \$121, respectively.

Note 9 – Leases

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

- Use of San Joaquin Experimental Range for cattle grazing, with the USDA, expiring March 17, 2020.
- Ground and Facility Lease between the Trustees of the CSU, expiring June 30, 2017.
- Land for grazing purposes (Millerton Lake), with the United States Department of the Interior Bureau of Reclamation, expiring June 30, 2015.
- Land for grazing purposes, sublease with Running T Ranch, expired June 15, 2011 with automatic renewal unless terminated by either party through June 15, 2018.

Note 10 – Designated Net Assets, VERC Reserve

In January 2013, a Memorandum of Understanding (“MOU”) was executed between the Agricultural Foundation, California State University, Fresno and the Viticulture and Enology Research Center Board (“VERC Board”) to coordinate efforts to redevelop the vineyards. After securing an initial investment of \$201,500 from private industry, the Agricultural Foundation will transfer annually fifty percent of the Department’s total net surplus amount greater than \$80,000 to the Reserve.

Designated Net Assets –VERC Reserve at June 30, 2013 and 2014, are as follows:

	<u>2013</u>	<u>2014</u>
VERC Reserve	<u>\$ 0</u>	<u>\$ 111,875</u>

Note 11 – Temporarily Restricted Net Assets

Temporarily Restricted Net Assets at June 30, 2013 and 2014, are available for the following:

	<u>2013</u>	<u>2014</u>
Poultry Unit	<u>\$ 37,438</u>	<u>\$ 25,515</u>

Note 12 - Expenses by Natural Classification

For The Years Ended June 30:

Expenses	2013			2014		
	Program	General & Administrative	Total	Program	General & Administrative	Total
Cost of Sales	\$1,506,322		\$1,506,322	\$1,640,287		\$1,640,287
Salaries/Wages	1,408,787		1,408,787	2,085,864		2,085,864
Employee Benefits	74,001		74,001	222,026		222,026
Advertising	10,879		10,879	20,026		20,026
Audit Fees	0	\$18,145	18,145	0	\$18,170	18,170
Awards/Premiums	29,899		29,899	29,398		29,398
Bad Debts	319		319	577		577
Capitalized Development Costs-						
Depreciation	25,870		25,870	17,918		17,918
Custom Harvesting	91,622		91,622	70,360		70,360
Depreciation	169,419		169,419	172,624		172,624
Donations	37,779		37,779	490,247		490,247
Equipment Rental/Repair	446,302		446,302	488,137		488,137
Incentive Fee Transfers	4,083		4,083	12,256		12,256
Infrastructure Improvements	13,543		13,543	7,517		7,517
Insurance	23,086	30,984	54,070	26,741	30,597	57,338
Legal Fees	0	0	0	0		0
Licenses/Dues/Fees	55,092	3,656	58,748	51,948	3,947	55,895
Livestock Expense	96,871		96,871	127,082		127,082
Management Services Fee	0	128,500	128,500	0	149,000	149,000
Miscellaneous	61,444	3,642	65,086	67,146	1,182	68,328
Office Supplies/Duplicating	1,113	2,227	3,340	4,838	5,134	9,972
Postage/Freight	5,154		5,154	9,182		9,182
Student Profit on Projects	0		0	0		0
Supplies	740,375		740,375	746,693		746,693
Travel	4,153		4,153	3,674		3,674
Unrealized Loss on Investments	0		0	0		0
Utilities	87,922		87,922	123,627		123,627
Unrelated Business Income Tax	5,307		5,307	0		0
Totals	\$4,899,342	\$187,154	\$5,086,496	\$6,418,168	\$208,030	\$6,626,198

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 27 enterprises, which constitute the University Agricultural Laboratory.

Note 13 – Subsequent Events

Subsequent events have been evaluated through September 8, 2014 noting no matters requiring disclosure in the financial statements for the year ended June 30, 2014.

Note 14 – Uncertain Tax Positions

The Agricultural Foundation has qualified as a non-profit organization and has been granted tax-exempt status pursuant to the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Note 14 -- Uncertain Tax Positions, continued

Generally accepted accounting principles provide accounting and disclosures guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Agricultural Foundation's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

ADDITIONAL INFORMATION FOR
CALIFORNIA STATE UNIVERSITY, FRESNO

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
SCHEDULE OF NET POSITION
JUNE 30, 2014
(for inclusion in the California State University)

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 1,659,523
Short-Term Investments	104,913
Accounts Receivable, Net	473,756
Prepaid Expenses and Other Assets	806,944
Total Current Assets	<u>3,045,136</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	137,390
Accounts Receivable, Net	37,535
Endowment Investments	831,336
Capital Assets, Net	1,662,882
Total Noncurrent Assets	<u>2,669,143</u>

Total Assets	<u>5,714,279</u>
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Liabilities:

Current Liabilities:

Accounts Payable	694,216
Accrued Salaries and Benefits Payable	5,730
Accrued Compensated Absences, Current Portion	1,000
Other Liabilities	0
Total Current Liabilities	<u>700,946</u>

Noncurrent Liabilities:

Accrued Compensated Absences, Net of Current Portion	5,788
Total Noncurrent Liabilities	<u>5,788</u>

Total Liabilities	<u>706,734</u>
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Net Position:

Net Investment in Capital Assets	1,662,882
Restricted for:	
Expendable:	
Other	25,515
Unrestricted	3,319,148
Total Net Position	<u>\$ 5,007,545</u>

See accompanying independent auditors' report.

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014
(for inclusion in the California State University)

Revenues:

Operating Revenues:

Sales and Services of Auxiliary Enterprises	\$ 5,727,323
Other Operating Revenues	<u>568,007</u>
Total Operating Revenues	<u>6,295,330</u>

Expenses:

Operating Expenses:

Auxiliary Enterprise Expenses	6,435,656
Depreciation and Amortization	<u>190,542</u>
Total Operating Expenses	<u>6,626,198</u>
Operating Income	<u>(330,868)</u>

Nonoperating Revenues (Expenses):

Gifts, noncapital	552,430
Investment Income, net	4,977
Endowment Gain(Loss)	32,023
Other Nonoperating Revenues	<u>60,554</u>

Net Nonoperating Revenues (Expenses)	<u>649,984</u>
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Income before Other Additions	319,116
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Grants and Gifts, Capital	<u>277,261</u>
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Increase in Net Position	596,377
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Net Position:

Net Position at Beginning of Year, as Previously Reported	<u>4,411,168</u>
Net Position at End of Year	<u><u>\$ 5,007,545</u></u>

See accompanying independent auditors' report.

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
OTHER INFORMATION

JUNE 30, 2014

(for inclusion in the California State University)

1. Restricted Cash and Cash Equivalents at June 30, 2014:
Not Applicable

2.1 Composition of Investments at June 30, 2014:

	Unrestricted	Restricted	Current	Unrestricted	Restricted	Noncurrent	Total
State of California Local Agency Investment Fund (LAIF)	104,913	0	104,913	0	0	0	104,913
Debt and Equity Securities	0	0	0	831,336	0	831,336	831,336
Total Investments	104,913	0	104,913	831,336	0	831,336	936,250

2.2 Investments held by the University under contractual agreements at June 30, 2013:
Not Applicable

2.3 Restricted Current Investments at June 30, 2014 related to:
Not Applicable

2.4 Restricted Noncurrent Investments at June 30, 2014 related to:
Not Applicable

3.1 Composition of Capital Assets at June 30, 2014:

	Balance June 30, 2013	Prior Period Adjustments	Reclassifications	Balance 2013 Restated	Additions	Reductions	Transfers Completed CWIP	Balance June 30, 2014
Non-Depreciable Capital Assets:								
Capitalized Development Costs	0	0	0	0	0	0	0	0
Construction Work in Progress (CWIP)	25,001	0	0	25,001	372,824	0	0	397,825
Total Non-Depreciable Capital Assets	25,001	0	0	25,001	372,824	0	0	397,825
Depreciable Capital Assets:								
Breeding Herd	173,403	0	0	173,403	36,793	0	0	210,196
Capitalized Development Costs	631,464	0	0	631,464	221,131	0	0	852,595
Personal Property-Equipment	2,293,516	0	0	2,293,516	84,884	(6,877)	0	2,371,523
Total Depreciable Capital Assets	3,098,383	0	0	3,098,383	342,808	(6,877)	0	3,434,314
Total Capital Assets	3,123,384	0	0	3,123,384	715,632	(6,877)	0	3,832,139
Less Accumulated Depreciation:								
Breeding Herd	(9,740)	0	0	(9,740)	0	(6,865)	0	(16,605)
Capitalized Development Costs	(575,477)	0	0	(575,477)	(17,918)	0	0	(593,395)
Personal Property-Equipment	(1,393,244)	0	0	(1,393,244)	(172,624)	6,611	0	(1,559,257)
Total Accumulated Depreciation	(1,978,461)	0	0	(1,978,461)	(190,542)	(254)	0	(2,169,257)
Total Capital Assets, Net	1,144,923	0	0	1,144,923	525,090	(7,131)	0	1,662,882

Note: Additions and Reductions includes \$8,884 adjustment for Breeding Herd changes in valuation recorded in Cost of Sales.

3.2 Detail of Depreciation and Amortization Expense for the Year Ended June 30, 2014:

Depreciation and Amortization Expense Related to Capital Assets	190,542
Amortization Expense Related to Other Assets	0
Total Depreciation and Amortization	190,542

3.3 Detail of Intangible Assets for the Year Ended June 30, 2014:
Not Applicable

THE AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO
OTHER INFORMATION

JUNE 30, 2014

(for inclusion in the California State University)

	Balance June 30, 2013	Prior Period Adjustments	Reclassifications	Balance 2013 Restated	Additions	Reductions	Balance June 30, 2013	Current Portion	Long-Term Portion
4. Long-Term Liabilities Activity Schedule:	5,201	0	0	5,201	3,765	(2,178)	6,788	1,000	5,788
Accrued Compensated Absences									
5. Future Minimum Lease Payments: Not Applicable									
6. Long-Term Debt Obligation Schedule: Not Applicable									
7. Calculation of Net Position:									
7.1 Calculation of Net Position - Net Investment in Capital Assets:									
Capital assets, net of accumulated depreciation									
7.2 Calculation of Net Position - Restricted for nonexpendable endowments: Not Applicable									
8. Transactions with Related Entities:									
Payments to University for salaries of University personnel working on contracts, grants, and other programs					433,425				
Payments to University for other than salaries of University personnel					151,911				
Payments received from University for services, space, and programs					0				
Gifts-in-kind to the University from Auxiliary Organizations					0				
Gifts (Cash or Assets) to the University from recognized Auxiliary Organizations					486,815				
Accounts (payable to) University					(12,563)				
Accounts receivable from University					11,121				
9. Other Postemployment Benefits Obligation (OPEB): Not Applicable									
10. Pollution remediation liabilities under GASB Statement No 49: Not Applicable									
11. The Nature and amount of the prior period adjustment(s) recorded to beginning net position: Not Applicable									

Auxiliary Organizations	Total
GASB	0
FASB	1,662,882
Auxiliaries	1,662,882

Amounts
433,425
151,911
0
0
486,815
(12,563)
11,121