

**CALIFORNIA FOUNDATION
FOR AGRICULTURE IN THE
CLASSROOM**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2017 AND 2016**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
California Foundation for Agriculture in the Classroom
Sacramento, California**

We have audited the accompanying financial statements of California Foundation for Agriculture in the Classroom (Foundation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 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 entity'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.

Board of Directors
California Foundation for Agriculture in the Classroom
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Foundation for Agriculture in the Classroom as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

April 17, 2018

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 105,870	\$ 257,883
Receivables	86,987	65,792
Prepaid expenses	3,104	7,215
Other	<u>785</u>	<u>785</u>
Total current assets	195,961	331,675
JIM HICKS ENDOWMENT	517,819	517,819
HENRY J. VOSS ENDOWMENT	84,463	84,463
MARKETABLE SECURITIES INVESTMENTS	<u>1,096,105</u>	<u>842,215</u>
TOTAL ASSETS	<u>\$ 1,894,348</u>	<u>\$ 1,776,172</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 81,283</u>	<u>\$ 89,858</u>
NET ASSETS:		
Unrestricted	1,141,351	1,044,985
Temporarily restricted	123,359	92,974
Permanently restricted	<u>548,355</u>	<u>548,355</u>
Total net assets	<u>1,813,065</u>	<u>1,686,314</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,894,348</u>	<u>\$ 1,776,172</u>

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
PUBLIC SUPPORT AND REVENUE:		
Contributions	\$ 614,085	\$ 647,949
Investment income	197,932	95,641
Special event revenue (net of direct benefits of \$8,175 for 2017 and \$22,365 for 2016)	97,831	132,717
Grant income	82,769	96,252
Service agreement income	59,388	123,938
Program fees	16,830	35,665
Other income	314	2,388
Subtotal	<u>1,069,149</u>	<u>1,134,550</u>
Net assets released from restrictions	<u>44,615</u>	<u>58,953</u>
Total unrestricted public support and revenue	<u>1,113,764</u>	<u>1,193,503</u>
EXPENSES:		
Program services:		
Teacher resources	195,035	176,035
Teacher communications	115,704	135,214
Ag in the Classroom conference	110,938	116,042
Specialty crop and other grant programs	90,479	150,351
Service agreement expense	79,278	128,832
Writing contest	61,345	53,726
County services	55,143	63,803
Conferences and exhibits	33,020	36,181
University student-teacher program	<u>10,632</u>	<u>13,446</u>
Total program services	<u>751,574</u>	<u>873,630</u>
Support services:		
Promotion and fundraising	216,880	222,197
Management and administration	<u>48,944</u>	<u>44,958</u>
Total support services	<u>265,824</u>	<u>267,155</u>
Total expenses	<u>1,017,398</u>	<u>1,140,785</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>96,366</u>	<u>52,718</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENTS OF ACTIVITIES (CONTINUED) YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	75,000	47,000
Net assets released from restrictions	<u>(44,615)</u>	<u>(58,953)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>30,385</u>	<u>(11,953)</u>
INCREASE IN NET ASSETS	126,751	40,765
NET ASSETS, Beginning of year	<u>1,686,314</u>	<u>1,645,549</u>
NET ASSETS, End of year	<u>\$ 1,813,065</u>	<u>\$ 1,686,314</u>

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 126,751	\$ 40,765
Reconciliation to net cash used by operating activities:		
Gain on marketable securities investments	(122,618)	(56,335)
Receipt of donated investments	(1,003)	(2,171)
Changes in:		
Receivables	(21,195)	6,742
Prepaid expenses	4,111	(4,452)
Other assets	785	(9)
Accounts payable and accrued expenses	(8,575)	8,165
Deferred revenue	<u> </u>	<u>(19,857)</u>
Net cash used by operating activities	<u>(21,744)</u>	<u>(27,152)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities investments	(562,748)	(32,705)
Proceeds from sales of marketable securities investments	<u>432,479</u>	<u> </u>
Net cash used by investing activities	<u>(130,269)</u>	<u>(32,705)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(152,013)	(59,857)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>257,883</u>	<u>317,740</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 105,870</u>	<u>\$ 257,883</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

California Foundation for Agriculture in the Classroom (Foundation) is a not-for-profit organization incorporated under the laws of the State of California. The purpose of the Foundation is to provide training and resources to California's educators to build an increased awareness and understanding of agriculture among their students.

Basis of presentation – The financial statements are presented in conformity with professional standards applicable to not-for-profit entities. The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Permanently restricted net assets are invested in perpetuity, but the income from these net assets is expendable to support the activities of the Foundation.

Income taxes – The Foundation is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and from state income tax under Section 23701(d) of the California Revenue and Taxation Code and is not classified as a private foundation. Accordingly, no provision for income taxes has been made in the financial statements. The Foundation has applied the accounting principles related to the accounting for uncertainty in income taxes and has determined there is no material impact on the financial statements. With some exceptions, the Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2013.

Revenue recognition – Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards applicable to not-for-profit entities. If donor-imposed restrictions are included with such a contribution, the amount is initially reported as an increase in temporarily restricted net assets. When a restriction expires (generally, as payments are made to fulfill the purposes of the contribution), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Grant income is recognized when qualifying expenses are incurred. Service agreement income, special event revenue, and program fees are recognized in the period the related services are provided or events take place.

Cash and cash equivalents – The Foundation considers all investments with maturity at purchase of three months or less to be cash equivalents. Cash and cash equivalents include funds invested in money market accounts.

The Foundation maintains cash in money market funds and short-term investments. Amounts invested may exceed the limits of S.I.P.C. protection.

Marketable securities and endowment investments – The Foundation reports its marketable securities and endowment investments at fair market value. Changes in market value and realized gains and losses are included in investment income.

Property and equipment – The Foundation capitalizes all expenditures for property and equipment in excess of \$1,500. Property and equipment are recorded at cost, with the exception of donated items, which are recorded at fair value at the time of the donation. Assets are depreciated using the straight-line method over estimated useful lives. Property and equipment was fully depreciated at December 31, 2017 and 2016.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

Donated goods – The Foundation receives goods from various contributors. These contributions are recognized for financial statement reporting purposes as contributions and expenses in accordance with generally accepted accounting principles.

Allocation of costs – Costs are allocated to specific programs and activities where identifiable. Salaries, benefits, occupancy, office administration and travel expenses are allocated based on the percentage of time spent in support of each program. All other cost allocations are based on specific identification.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair value measurements - Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- | | |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly. |
| Level 3 Inputs | Unobservable inputs for the asset or liability. |

The Foundation's marketable securities and endowment investments at December 31, 2017 and 2016 are classified as Level 1 because they are valued using quoted market prices in active markets for identical assets.

Subsequent events have been reviewed through April 17, 2018, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that requires recognition or disclosure in the financial statements.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

2. MARKETABLE SECURITIES AND ENDOWMENT INVESTMENTS

Marketable securities and endowment investments consist of the following:

	<u>2017</u>	<u>2016</u>
Certificates of deposit and money market funds	\$ 399,151	\$ 150,345
Equity Mutual Funds:		
Large Cap	485,709	395,627
Global Equity	181,958	160,172
Mid Cap	161,426	141,961
Small Cap	113,252	88,269
Emerging Markets	47,877	36,119
Int'l Large Cap Growth	36,568	27,972
Real Estate	27,830	26,862
Natural Resources	20,570	16,344
Fixed Income Mutual Funds:		
Short Term Bond	158,384	151,471
Global Income	58,438	58,979
Commodities	7,224	7,650
Short Investment Grade Debt		<u>182,726</u>
	<u>\$ 1,698,387</u>	<u>\$ 1,444,497</u>

Investment income consists of the following:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 75,314	\$ 39,306
Net realized/unrealized gain	<u>122,618</u>	<u>56,335</u>
Total	<u>\$ 197,932</u>	<u>\$ 95,641</u>

3. OPERATING LEASE COMMITMENTS

The Foundation leases certain office equipment under an operating lease agreement. Lease expense under this agreement was \$1,652 and \$1,964 for the years ended December 31, 2017 and 2016, respectively. This lease reverted to a month to month lease in June 2016.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

4. RELATED PARTY TRANSACTIONS

The Foundation is affiliated with California Farm Bureau Federation (CFBF) through common control. During the years ended December 31, 2017 and 2016, the Foundation had the following transactions with CFBF:

	<u>2017</u>	<u>2016</u>
Cash contributions/sponsorships from CFBF	\$ 100,000	\$ 101,000
Payments to CFBF for management service	50,000	50,000
Lease payments to CFBF for office space	47,317	46,217

Foundation employees also participate in certain employee benefits such as health, life, and dental insurance provided through CFBF, and reimbursed by the Foundation.

5. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are based upon the number of hours of earned but unused vacation and personal time at the end of the fiscal year at the pay rate in effect on that date. Accrued compensated absences were \$19,838 and \$21,915 at December 31, 2017 and 2016, respectively. Such amounts are included in accounts payable and accrued expenses on the statements of financial position.

6. NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Henry J. Voss Endowment – funds available at the discretion of Board of Directors for program costs	\$ 53,927	\$ 53,927
Taste and Teach Sponsorship	46,394	28,206
Writing Contest	23,038	9,841
What's Growin' On	_____	1,000
Total	<u>\$ 123,359</u>	<u>\$ 92,974</u>

At December 31, 2017 and 2016, investment income from the Jim Hicks Endowment totaled \$71,498 and \$36,768, respectively. This amount has been designated by the Board for future use in a manner consistent with the endowment objectives.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

Permanently restricted net assets at December 31, 2017 and 2016 are invested in perpetuity and consist of the following:

Jim Hicks Endowment	\$ 517,819
Henry J. Voss Endowment	<u>30,536</u>
Total	<u>\$ 548,355</u>

The Foundation's endowments include donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowments, and (c) appropriations of endowment assets to fund donor-approved expenditures.

Temporarily restricted endowment funds shall be held and invested unless the donor specifically authorizes and directs the Board of Directors to access the principal if the Board determines that circumstances exist which necessitate the utilization of the principal for ongoing operations and the maintenance of the viability of the Foundation. Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable for various programs consistent with the purposes of the Foundation.

Under the endowment investment policy, the primary investment objectives are to preserve principal, to provide a dependable and reasonable rate of return consistent with appropriate investment risk, and to maximize income within a framework of moderate risk assumption.

7. RETIREMENT PLAN

The Foundation provides retirement benefits for its employees through its participation in the California Farm Bureau Federation Controlled Group 401(k) Retirement Plan (Plan), a defined contribution plan, in which a discretionary profit sharing contribution as well as a matching contribution are made. The Foundation contributes to the Plan at a rate of 4% of the employee's total compensation, and matches employee contributions up to 3% of their compensation.

Total contributions to the retirement plan charged to expense were \$20,398 and \$18,495 for the years ended December 31, 2017 and 2016, respectively.