

**CALIFORNIA FOUNDATION
FOR AGRICULTURE IN THE
CLASSROOM**

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

**YEAR ENDED
DECEMBER 31, 2018**

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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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
Page two

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, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

May 8, 2019

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 175,570
Receivables	61,025
Prepaid expenses	<u>5,269</u>
Total current assets	241,864

JIM HICKS ENDOWMENT 517,819

HENRY J. VOSS ENDOWMENT 84,463

MARKETABLE SECURITIES INVESTMENTS 885,994

TOTAL ASSETS \$ 1,730,140

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	<u>\$ 73,497</u>
---------------------------------------	------------------

NET ASSETS:

Without donor restrictions	938,534
With donor restrictions	<u>718,109</u>
Total net assets	<u>1,656,643</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,730,140

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

NET ASSETS WITHOUT DONOR RESTRICTIONS:

PUBLIC SUPPORT AND REVENUE:

Contributions	\$ 627,400
Service agreement income	72,618
Special event revenue (net of direct benefits of \$11,375)	72,209
Program fees	57,215
Grant income	52,977
Investment loss	(65,025)
Other income	140
Subtotal	<u>817,534</u>
Net assets released from restrictions	<u>78,605</u>
Total unrestricted public support and revenue	<u>896,139</u>

EXPENSES:

Program services:

Classroom support	338,232
Conferences	250,625
County Farm Bureau support	65,662
Other program services	184,019
Total program services	<u>838,538</u>

Support services:

Promotion and fundraising	221,464
Management and general	38,954
Total support services	<u>260,418</u>
Total expenses	<u>1,098,956</u>

DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS (202,817)

NET ASSETS WITH DONOR RESTRICTIONS:

Contributions	125,000
Net assets released from restrictions	<u>(78,605)</u>

INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS 46,395

DECREASE IN NET ASSETS (156,422)

NET ASSETS, Beginning of year 1,813,065

NET ASSETS, End of year \$ 1,656,643

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

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services		<u>Total</u>
	<u>Classroom Support</u>	<u>Conferences</u>	<u>County Farm Bureau Support</u>	<u>Other Program Services</u>	<u>Promotion and Fundraising</u>	<u>Mgmt. and General</u>	
Salaries	\$ 131,653	\$ 55,922	\$ 15,239	\$ 44,095	\$ 41,066	\$ 20,317	\$ 308,292
Conferences and meetings	4,777	149,031				2,703	156,511
Professional services	16,283	1,870	491	1,324	91,906	639	112,513
Payroll taxes and employee benefits	36,092	15,330	4,178	12,088	11,258	5,569	84,515
Service agreements				66,233			66,233
Management fee	21,100	10,100	2,650	7,150	5,550	3,450	50,000
Occupancy	20,433	9,781	2,566	6,924	5,374	3,340	48,418
Grant work				40,125			40,125
Fundraising events					37,166		37,166
Office expenses	17,563	4,288	7,233	3,035	3,306	1,465	36,890
Educational materials printing	32,268						32,268
County Farm Bureau support			31,826				31,826
Writing contest	23,541						23,541
Fundraising mailings					23,474		23,474
Travel	8,988	4,303	1,129	3,045	2,364	1,471	21,300
Information technology	11,654						11,654
Grants to organizations	10,430						10,430
Grants to individuals	2,450						2,450
Other	<u>1,000</u>		<u>350</u>				<u>1,350</u>
Total	<u>\$ 338,232</u>	<u>\$ 250,625</u>	<u>\$ 65,662</u>	<u>\$ 184,019</u>	<u>\$ 221,464</u>	<u>\$ 38,954</u>	<u>\$ 1,098,956</u>

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

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$ (156,422)
Reconciliation to net cash provided by operating activities:	
Loss on marketable securities investments	152,739
Receipt of donated investments	
Changes in:	
Receivables	25,962
Prepaid expenses	(2,165)
Accounts payable and accrued expenses	<u>(7,786)</u>
Net cash provided by operating activities	<u>12,328</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of marketable securities investments	(459,332)
Proceeds from sales of marketable securities investments	<u>516,704</u>
Net cash provided by investing activities	<u>57,372</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 69,700

CASH AND CASH EQUIVALENTS, Beginning of year 105,870

CASH AND CASH EQUIVALENTS, End of year \$ 175,570

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 2014.

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 net assets with donor restrictions. When a restriction expires (generally, as payments are made to fulfill the purposes of the contribution), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 \$2,500. 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, 2018.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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.

Functional allocation of expenses – The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs require allocation based on the estimated usage of resources. The expenses that are allocated include salaries, which are allocated based on time and effort; payroll taxes and employee benefits, which are allocated based on salaries; and occupancy, office expenses and management fees, which are allocated based on estimated usage and 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, 2018 are classified as Level 1 because they are valued using quoted market prices in active markets for identical assets.

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

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

Subsequent events have been reviewed through May 8, 2019, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2018 that requires recognition or disclosure in the financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows for 2018:

Cash and cash equivalents	\$ 175,570
Receivables	61,025
Marketable securities investments	<u>885,994</u>
Total financial assets available within one year	1,122,589
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restrictions by donors for purpose (see Note 6)	<u>(115,827)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,006,762</u>

The Financial Services Department reviews the cash balances on a daily basis. On a weekly basis, staff reviews the cash balances and the projected cash needs for the following week to assure that sufficient cash on hand is available to meet cash needs for general expenditures. As part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments with Level 1 fair-value measurements using quoted market prices in active markets that can be liquidated at any time to meet cash needs. In addition, a portion of the investment portfolio is invested in short-term high-grade commercial paper, certificate of deposit or US Treasury Bills with coupon amounts of \$50,000 and maturity dates laddering approximately every three months. At each maturity date, the Foundation determines if it will use the proceeds from the maturing note to meet general expenditures or reinvest them in another short-term note. The Foundation maintains cash and short-term investments on hand, net of permanent donor-restricted endowments not available for general expenditures, to meet one year of normal operating expenses of approximately \$1 million.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

3. MARKETABLE SECURITIES AND ENDOWMENT INVESTMENTS

Marketable securities and endowment investments consist of the following:

Certificates of deposit and money market funds	\$ 298,610
Equity Mutual Funds:	
Large Cap	319,868
Global Equity	221,495
Mid Cap	161,460
Small Cap	73,002
Int'l Large Cap Growth	43,652
Emerging Markets	30,135
Real Estate	29,008
Natural Resources	13,448
Fixed Income Mutual Funds:	
Short Term Bond	169,086
Global Income	113,844
Commodities	14,668
	<u>\$ 1,488,276</u>

Investment income (loss) consists of the following:

Dividends and interest	\$ 87,714
Net realized/unrealized gain (loss)	<u>(152,739)</u>
Total	<u>\$ (65,025)</u>

4. RELATED PARTY TRANSACTIONS

The Foundation is affiliated with California Farm Bureau Federation (CFBF) through common control. During the year ended December 31, 2018, the Foundation had the following transactions with CFBF:

Cash contributions/sponsorships from CFBF	\$ 100,000
Payments to CFBF for management service	50,000
Lease payments to CFBF for office space	48,418

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

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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 \$19,328 at December 31, 2018. Such amounts are included in accounts payable and accrued expenses on the statement of financial position.

6. NET ASSETS

Net assets with donor restrictions represent unexpended contributions restricted by donors as follows:

Purpose restrictions:	
Taste and Teach Sponsorship	\$ 71,522
Henry J. Voss Endowment – funds available at the discretion of Board of Directors for program costs	53,927
Writing Contest	24,305
Curriculum Sponsorship	15,000
Farm Day	5,000
Total purpose restrictions	<u>169,754</u>
Perpetual restrictions:	
Jim Hicks Endowment	517,819
Henry J. Voss Endowment	30,536
Total perpetual restrictions	<u>548,355</u>
Total	<u>\$ 718,109</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's endowments classified as perpetual in nature, include: (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. These net assets are restricted by donors to investment in perpetuity, the income from which is expendable for various programs consistent with the purposes of the Foundation.

Donor restricted endowment funds which are not required to be held in perpetuity 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.

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.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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 \$3,075 for the year ended December 31, 2018.